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Newsletter Archives

Brown's Rants

Week Ending January 29th, 2022

Retail's Knife Already Fell, Sam

A frequent guest of Squawk Box and other financial news shows, I often agree with Sam Zell's financial and/or real estate takes. Yes, [he has occasionally used some pretty crude, sexist and inappropriate language that leaves you shaking your head.](#) The 80-year-old real estate mogul and philanthropist is nothing, if not cantankerous. For better and worse, he is a throwback to another era. But usually, I find myself agreeing on most his real estate takes. I try to keep track and usually he ends up being pretty dead on.

Except for last week. This past Tuesday, Mr. Zell was a guest on CNBC where he made a bold case in favor of office recovery over retail recovery. In his Squawk Box interview he stated, "Everything between the top mall and the corner grocery anchor mall... (there's) a serious question as to its viability." Also, **"I think retail is much more of a falling knife than office, and I think that office is likely to recover much quicker than retail."**

There were things he said that I agree with.

He expects the office market to rebound once Covid becomes "less of a risk," albeit with hybrid work becoming part of the norm. And that the speed of recovery will depend on thriving industries hiring more workers to come into the office. "Ultimately," he said, "the amount of time people spend in their office is gonna be very much related to the demand for their time."

But the "falling knife" statement really got me going. Hate to say this, but NEWSFLASH... the knife already fell for retail. Frankly, for some retail categories and some property types, it has been falling for two decades.

For commercial real estate, it was retail and hospitality that took the knife full force... we tracked over 75 major chain (100 unit plus) retail restaurant and health club bankruptcies in 2020—twice the previous record. I tracked 27,000 major chain closures (same categories) that same year.

But something strange happened. First, PPP loans and landlord workouts kept the substantial pain from being even worse. Second, consumer spending began to skyrocket (the uneven economic impact of the pandemic, federal aid, and the shift from service to goods spending all were factors). Third, bankruptcies and store closures cleared much of the deadwood away. Low interest rates and lenders willing to work with concepts, meant massive reworking of debt.

There are other factors I could spend hours discussing, but the gist of it is that retail's ugly bandage was removed at once with immense pain. But the market now is in far stronger financial health. We are seeing the highest planned growth numbers this year that we have seen in nearly a decade. Likewise, we also see the lowest planned closure numbers currently than in seven years. Based on current credit ratings, 2022 is likely to see the lowest number of retail bankruptcies in seven years as well.

For the first time in a long-time, I would have to say that the greatest threat to the retail real estate market this year is not the structural impact of eCommerce, but your typical cyclical economic threats. I haven't said that since 2008/2009 when the economic collapse was happening.

I'm not the only one seeing a remarkable turnaround. Check out this week's top ten articles; plenty there to substantiate a strong rebound in the retail sector. In fact, my data suggests that, on the whole, both grocery-anchored and power centers market will be back to 2019 vacancy levels within the year.

But when I look at the office market, I see a market in the initial stages of exposure to what retail has been adapting to for the better part of two decades: digital disruption. There is no way that , on the whole, office vacancy is returning to 2019 levels this year.

The pandemic opened the Pandora's Box of remote work for the entire office sector. Sure, roughly 10% of the office workforce already worked remotely or had hybrid schedules, but I think the biggest shock for many office-using CEOs in 2020 was **at how little productivity was lost** when we were forced to immediately move to remote work. Not to underestimate the difficulty of that near-overnight pivot, but workers overwhelmingly came through for their organizations.

By early 2021, consistent polling across dozens of organizations indicated that while one third of remote workers struggled with productivity issues, the other two thirds were more likely to struggle with disconnecting. In other words, work-from-home became work-all-the-time and was a factor driving burnout.

Nearly all of these polls showed the same thing; workers wanted more flexibility and control over their schedules. And they were more likely to place flexibility high on their list when seeking new jobs. Even before "The Great Resignation" began—roughly 40% of polled workers said they planned to change jobs in 2021.

Fast forward to now; unemployment is at 3.9%. We still have about three million fewer employed people than before the pandemic. But approximately that same number has dropped out of the workforce. We had about 10.7 million jobs available according to the last labor department report. The worker shortage is dire and not going away soon. Though the retail and restaurant sectors are now short a little over one million workers, the numbers are nearing two million for office-using employment.

Remote work and workplace flexibility has become a negotiable perk that is not going to go away any time soon. It has also started to emerge as a salary hedge, with many workers willing to take less pay in exchange for offsite and remote work, particularly across geographies. Meanwhile, with every new pandemic variant wave we have seen workplace returns disrupted or postponed.

Do not get me wrong. Work-from-home and hybrid work is never going to be a fit for some companies, individuals, and jobs. Some office jobs just cannot be done from home while others (those dependent on creative teams) may struggle to reach full potential. Some workers will never thrive working from home; this is for self-starters only. Plus, management of staff from afar is much more difficult and time consuming. Training of new personnel is hugely difficult; both for management and the employee. Meanwhile, it has its own set of issues for workers. Isolation, lack of camaraderie and missing out on work relationships hurts job satisfaction. Training and mentorship suffer as does the loss of unstructured idea sharing (IE water cooler talk). Remote workers may find greater challenges in climbing corporate ladders and higher risk of layoffs.

But it is a safe bet that if 10% of your office worked flex or offsite before CoVid, it will probably end up being 20% a few years down the road when the new normal fully emerges. The Cushman & Wakefield take last year was that [this would result in a 10% to 15% reduction in office demand for existing users](#) and that economic growth would eventually make up the short-fall. I completely agree with that take.

The challenge for Mr. Zell's outlook is that the office right-sizing is still underway. That knife is still falling. Sorry Mr. Zell, retail is beating you to the rebound.

Garrick



Top 10

Stories of the Week

[Retailers Announced Twice as Many Store Openings than Closings in 2028](#)

NRF 1/28

[For Every \\$1B in Sales, Retailers Incur \\$166M \(16.6%\) in Returns](#)

Retail Touchpoints 1/28

[Supply Chain Snags Could Knock Out \\$17B in Apparel & Footwear Profit in 2022](#)

Retail Dive 1/26

[The Future of Retail: More Self Service](#)

Axios 1/26

[These Retailers Fell Behind on Rent Last Year](#)

The Real Deal 1/26

[Sam Zell Says Office to Recover “Much Faster” Than Retail](#)

CNBC 1/25

[Available Retail Space Hits Ten Year Low](#)

Chain Store Age 1/25

[NRF Come and Gone](#)

Robin Report 1/25

[Kohl’s Acknowledges Takeover Interest](#)

Retail Dive 1/24

[The Upside of Flight Delays for Retailers](#)

Morning Brew 1/24



Economic Headlines

Stories of the Week

[Inflation Continued to Run Hot and Consumer Spending Fell in December](#)

New York Times 1/28

[The Race Between Inflation and Wage Growth](#)

Axios 1/28

[NYPD Reports Shoplifting Rates Unseen in 30 Years as Organized Retail Crime Ramps Up Nationwide](#)

CBS New York 1/28

[US Wages, Benefits Rose at Two-Decade High as Inflation Picked Up](#)

Wall Street Journal 1/28

[Fast Food Prices to Increase More in 2022](#)

Tasting Table 1/27

[GDP Grew at 6.9% to Close Out 2021; Stronger Than Expected](#)

CNBC 1/27

[Fed Tightening a Sign to “Get the Heck Out of” Stocks](#)

Reuters 1/26

[CRE Sentiment Sour at Worst, Tempered at Best](#)

Globe Street 1/25

[Stock Market Slide Unlikely to Budge Fed From Tightening](#)

CNBC 1/24

[Real Estate Emerging as Hedge Against Inflation](#)

Bloomberg 1/24

Property Trends

Stories of the Week

[Tyson's Corner Likely Backfilling Huge LL Bean Space w/Primark & Others](#)

Washington Business Journal 1/28

[Sansone Closes Deal to Redevelop St. Louis' Crestwood Mall to Mixed-Use Project](#)

REjournals 1/28

[DC Finds Walmart Replacement for Stalled Capitol Gateway Project](#)

Washington Business Journal 1/27

[How One BID Plans to Revive Retail in a DC Neighborhood](#)

Retail Brew 1/27

[Four New Stores Opening At Pinecrest Mall](#)

Patch.com 1/27

[Swansea Mall \(MA\) to Become Walmart-Anchored 'Lifestyle Center'](#)

Herald News 1/27

[New Stores Coming to Birmingham Mall: The Summit](#)

Birmingham Business Journal 1/27

[Developers are Leveraging Ground Lease Structures to Fund New Construction](#)

Globe Street 1/27

[Two Class B Projects Near Atlanta \(North DeKalb and Crestwood Malls\) Slated for Redevelopment](#)

Shopping Center Business 1/27

[Post-Bankruptcy is Great Lakes Mall on the Rebound](#)

Cleveland19.com 1/27

[After Years of Delays, Redevelopment Plans for Old Crestwood Mall \(Crestwood, MO\) Finalized](#)

KMOV 1/27

[Thinking Outside the Mall: Using Exterior Spaces to Draw Consumers In](#)

Retail Touchpoints 1/26

[Austin Retail Regains 2019 Footing](#)

Austin Business Journal 1/26

[Pembroke Mall \(Virginia Beach, VA\) About to Close for Redevelopment](#)

WAVY.com 1/25

[Oakdale Mall \(Johnson City, NY\) to be Transformed into Oakdale Commons](#)

WBNG 1/24

[Houston Leads Nation for Retail Demand and Construction](#)

BisNow 1/24

Retail Headlines

Stories of the Week

[Chanel, Van Cleef & Arpels Grab New San Francisco Union Square Spots](#)

Hoodline 1/28

[H&M Looks Beyond Pandemic with Drive to Double Sales by 2030](#)

Reuters 1/28

[Glossier Lays Off One Third of Corporate Staff](#)

CNN 1/28

[Dollar General Opens First Texas PopShelf](#)

Dallas Morning News 1/28

[Anytime Bitcoin to Open First Retail Store Location in Atlanta](#)

Digital Journal 1/28

[Bay Area Bank in Growth Mode](#)

North Bay Business Journal 1/28

[Reformation Opens First Store in San Diego](#)

San Diego Union Tribune 1/28

[Psycho Bunny Opening in San Antonio](#)

MySA.com 1/27

[Costco Expanding Big Time This Year](#)

Retail Customer Experience 1/27

[How The North Face is Moving to Compete With Patagonia](#)

CNBC 1/27

[Gucci to Open Store at Easton Town Center in Columbus](#)

Cleveland.com 1/27

[Supreme's Plans for New LA Store Causing Controversy](#)

Inputmag.com 1/27

[Walmart's Store Redesign Could Spell More Trouble for Department Stores](#)

Retail Dive 1/27

[Nike's First Non-Outlet Store in Cleveland Now Open at Pinecrest](#)

Cleveland.com 1/27

[Costco Appears to be Building First Store in Maine](#)

Q106FM.Com 1/27

[Goodwill To Open New Store in Jacksonville](#)

Jacksonville.com 1/27

[Lowe's Partners with Petco for Store-Within-Stores](#)

Retail Dive 1/27

[Bed Bath & Beyond Downgraded by Moody's](#)

Retail Dive 1/27

[Indoor Gardens Expands to Buffalo Area](#)

Buffalo Business First 1/27

[Daiso Opens Third Location in Hawaii](#)

KHON2.com 1/27

[Ashley to Take Former Books-a-Million Store at Birmingham \(AL\) Shopping Center](#)

BHANmow.com 1/27

[New Hobby Lobby Taking Former Sears Space in Jackson Michigan](#)

Mlive 1/27

[Walmart Debuts Interactive Store Dubbed 'Time Well Spent'](#)

PYMNTS 1/27

[Decathlon Closing Last Two US Stores \(Both Bay Area\)](#)

San Francisco Business Times 1/26

[PGA Superstore Sets Date for Tampa Opening](#)

Tampa Bay Business Journal 1/26

[Mavis Acquires Action Gator Tire's Retail Stores](#)

MTD 1/26

[Academy Sports to Open at Least Ten Stores This Year, Including Houston](#)

Houston Business Journal 1/26

[Why Oscar De La Renta's Embrace of Resale Won't be the Last](#)

PYMNTS 1/26

[Mango to Open New York Flagship](#)

Drapers 1/26

[Five Below to Open on State Street](#)

Crain's Chicago Business 1/26

[Hugo Boss in Major Rebranding](#)

Retail Dive 1/26

[Amazon Go Stores Are Heading to Suburbia](#)

Retail Dive 1/25

[Patagonia Opens First Brooklyn Store](#)

WWD 1/25

[Savage X Fenty Opens First Store in Vegas](#)

Retail Dive 1/25

[Academy Sports Opening in Panama City FL](#)

Yahoo! News 1/25

[Academy Sports Opening in Louisville Suburb](#)

Louisville Business First 1/25

[Warby Parker to Open Twelve Oaks Mall \(Detroit Area\) Store](#)

Hour Detroit 1/25

[Bank Branch Closures Hit Record](#)

Patch.com 1/25

[Macy's Closing Puente Hills Mall Store](#)

SGVT 1/25

[Sears Gets Smaller with Florida Store Closure](#)

Retail Dive 1/24

[Makers Dominate Entry Level Luxury Market](#)

Robin Report 1/24

[LA Fitness Adds Maryland Location](#)

Shopping Center Business 1/24

[Burlington Adding El Paso Store](#)

El Paso Times 1/24

[Learning Experience Lands in San Antonio](#)

San Antonio Business Journal 1/24

[Take a Look Inside Some of the Coolest New Apple Stores \(Including LA\)](#)

CNBC 1/23

[Rite Aid to Close More than 60 Stores](#)

Global Circulate 1/23

Grocery Headlines

Stories of the Week

[Citi Downgrades Kroger to Sell as Inflation and Fewer Vaccines Expected to Hurt Margins](#)

CNBC 1/28

[Kroger to Open Ocado-Powered Fulfillment Center in Kentucky](#)

Produce Blue Book 1/28

[Raley's Closing Two Bay Area Nob Hill Stores](#)

Sacramento Business Journal 1/27

[Trader Joe's About to Open Midtown Miami Store](#)

Miami New Times 1/27

[Amazon Accelerates Physical Grocery Expansion](#)

Progressive Grocer 1/26

[As Pandemic Ends, Texans Flock to Small Grocers](#)

Texas Monthly 1/26

[Hy-Vee's First Indiana Store](#)

Supermarket News 1/26

[HEB Opens in Houston Suburb](#)

Market Screener 1/25

[Whole Foods to Anchor Redeveloped San Jose Shopping Center](#)

The Real Deal 1/25

[Amazon Grocery Store Coming to Sacramento Suburb: How Does the Technology Work](#)

Sacramento Business Journal 1/25

[Amazon Eyes Suburbs With Larger Go Format](#)

Supermarket News 1/25

[Gourmet Market Chain Foxtrot Nabs NE DC Space for Commissary Kitchen](#)

Washington Business Journal 1/25

[Save A Lot Sells 33 Grocery Stores](#)

RIS 1/24

Restaurant News

Stories of the Week

[Mochinut Bringing its Mochi Donuts to Roseville](#)

Sacramento Business Journal 1/29

[James Beard-Back Food Hall Headed to Chelsea This Fall](#)

Eater NY 1/28

[What to Eat at National City's New Homegrown Food Hall](#)

San Diego Union Tribune 1/28

[Checkers/Rally's Ramping up Growth \(Possibly 60 New Units in 2022\)](#)

Chain Store Age 1/27

[Jersey Mike's Expanding in Richmond](#)

Richmond Observer 1/27

[Crumble Cookies to Sweeten Atlanta Suburbs](#)

What Now Atlanta 1/27

[STK Steakhouse Coming to Downtown San Francisco](#)

San Francisco Business Times 1/27

[Southern Grounds Plans 12 State Franchise Push](#)

Daily Coffee News 1/27

[Wienerschnitzel Envisions 20 Arkansas Units](#)

Northwest Arkansas Democrat Gazette 1/27

[El Pollo Loco Opening in OKC](#)

KFOR.com 1/26

[Sugar Factory to Open in Downtown Detroit](#)

Click On Detroit 1/26

[Jollibee Adding Dallas Outpost](#)

Eater Dallas 1/26

[Fuzzy's Taco Inks 50 Unit Development Deal](#)

Fast Casual 1/26

[Fuku Making Kentucky Debut](#)

Fast Casual 1/26

[NYC's Most Anticipated 2022 Restaurant Openings](#)

Eater NY 1/26

[Teriyaki Madness Closed Out 2021 w/100 New Franchise Locations](#)

RestaurantNews.com 1/26

[Drake's to Open Fourth Louisville Location](#)

Louisville Business First 1/26

[Roll Em Up Heads to Texas and Oklahoma](#)

QSR Magazine 1/26

[Ruby Red's BBQ Preps for Growth](#)

QSR 1/26

[Restaurants Meet the Multiplatform Consumer](#)

QSR 1/25

[Stagnant Mall Sunset Place Loses Another Tenant as this Miami Area Food Hall Closes](#)

Miami Herald 1/25

[Mountain Mike's Expands in California](#)

RestaurantNews.com 1/24

[Buckhorn Grill Opens New Rocklin Location](#)

Sacramento Business Journal 1/24

[Popeye's Adds New Upstate New York Unit](#)

QSRWeb 1/24

[Happy Joe's Ramps Up](#)

RestaurantNews.com 1/24

[NRA: More Restaurant Aid Needed](#)

Nation's Restaurant News 1/24

[Crave Hot Dogs & BBQ in Growth Mode](#)

RestaurantNews.com 1/24

[Huckleberry's Breakfast & Lunch Opens in Reno](#)

RestaurantNews.com 1/24

[Chipotlane Ready to Roll in Boston Burb](#)

Herald News 1/24

[Moynihan Food Hall Brings Artisanal to Penn Station](#)

New York Post 1/23



REITs, Landlord & Development

Stories of the Week

[Chanel Buys Union Square Building for \\$63 Million](#)

San Francisco Business Times 1/28

[LA Shopping Centers in High Demand](#)

Commercial Observer 1/28

[CRE Investors Bet Big on Dallas](#)

Globe Street 1/27

[Fidelis Buys Shadow Creek Ranch \(613K SF Power Center\) in Houston Burbs](#)

Shopping Center News 1/27

[Suburban Boston Grocery Anchored Center Sells for \\$44.25M](#)

Market Screener 1/26

[Alto Real Estate Funds Purchases Dallas Area Shopping Center Craig Crossing](#)

Dallas Morning News 1/26

[Brixmor Snaps up Shopping Center in Northeast Dallas](#)

The Real Deal 1/26

[Chappaqua Crossing Retail Center Sold for \\$80M](#)

The Real Deal 1/26

[Lifestyle Center Developer Poag Expands into Residential](#)

Chain Store Age 1/26

[NewMark Merrill Acquires North Broadway Plaza in Santa Maria, CA](#)

Shopping Center Business 1/25

[Power Center Shadow Creek Ranch in Pearland \(TX\) Sells to Fidelis](#)

REjournals 1/24

[Schaumburg Corners Sells to LA-based Joint Venture](#)

Chicago Business Journal 1/24

[Badcock Furniture Seeking Huge Sale Leaseback Deal of National Portfolio](#)

Business Observer Florida 1/24

[Why Open Air is Solid Investment](#)

Motley Fool 1/24



eCommerce / Omnichannel / Retail Tech

Stories of the Week

[Omnichannel Delivery is Here to Stay](#)

Digital Commerce 360 1/27

[Dealing With Holiday Returns That Need 20% More Warehouse Space](#)

Globe Street 1/27

[Smart & Final Expands Grocery Delivery With Uber](#)

Supermarket News 1/25

[Automation Beckons Retailers as Labor Challenges Endure](#)

Retail Dive 1/25

[Robotics and Automation Go From Fringe to Mainstream](#)

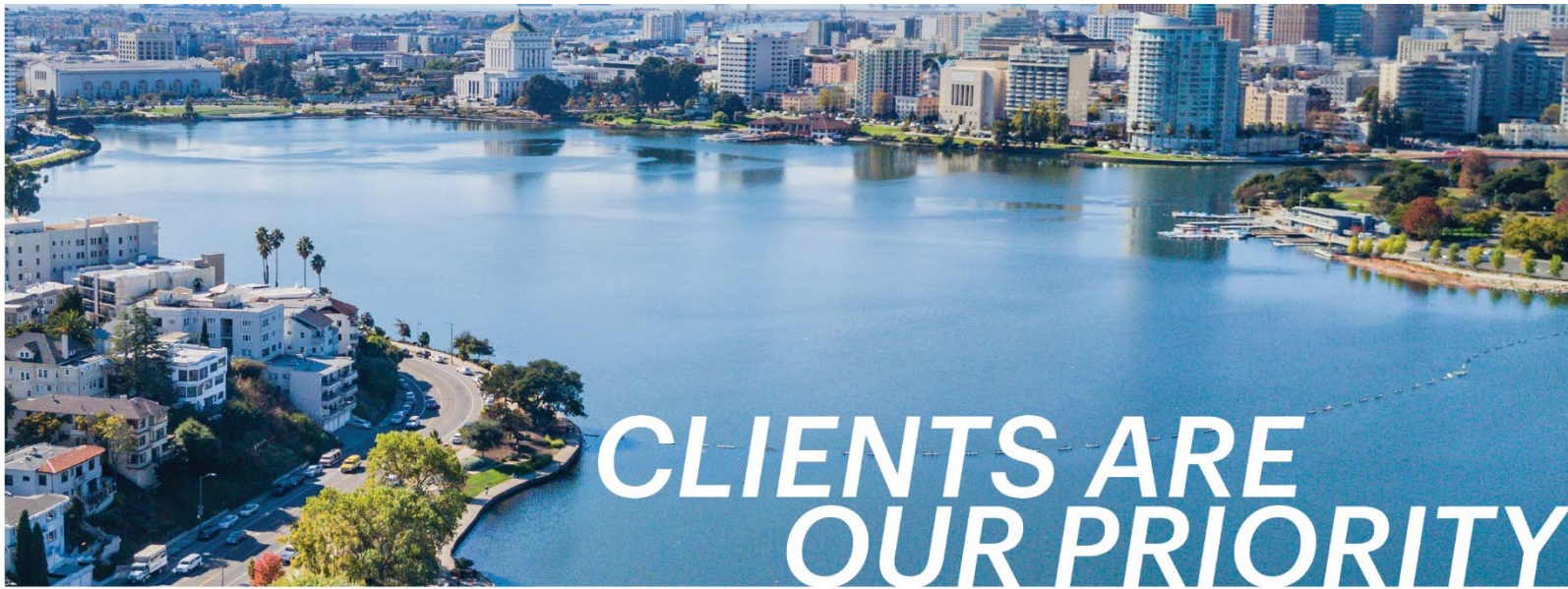
Supply Chain Dive 1/25

[When Will the First Luxury Brand Open a Metaverse Store?](#)

Luxury Daily 1/25

[Should Retailers be Investing in the Metaverse?](#)

Retail Dive 1/24



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LOCKEHOUSE

Prepared by Garrick H. Brown
COO & Director of Advisory Services
925-627-7900
garrick@lockehouse.com

2099 Mt. Diablo Blvd., Suite 206,
Walnut Creek, CA 94596
License #01784084
www.LOCKEHOUSE.com