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**Newsletter Archives**

## **Brown's Rants**

**Week Ending March 19th, 2022**

### **Inflation Getting Worse Before it Gets Better; Interest Rate Hikes Could Be in Play by End of the Week.**

Amid soaring interest rates and a booming job market, the Federal Reserve raised interest rates this past week for the first time in four years. While the Fed's stated long-term goal is to balance maximum employment with keeping long-term inflation rates in the 2% range, it's clear they likely waited too long to make this move. Inflation had been ramping up long before the Ukraine crisis and its impact on energy prices, which is already driving even greater pressure on prices. The increase (from 0.25% to 0.50%) will likely be the first of seven incremental hikes this year (according to Fed Chairman Jerome Powell) that will likely see a 2.00% federal funds rate by the end of the year (assuming conditions don't force a change in their stated policy).

There is a reason why economics is called "the dismal science," and that is because the job of the economist is to evaluate risk. That said, the interpretation of this news ranges from the bleak ([Rate Hike Starts Countdown to Next Recession](#)), to skeptical ([The Fed Expects a Soft Landing. Don't Count On It](#)). I completely understand the dilemma that economists face in an environment where risk has increased substantially. It is far easier to see the risks ahead than the countermeasures or the response to those risks that could potentially alleviate (or worsen) those trends. For example, most of us on the analysis side anticipated at the beginning of the pandemic that if it were an ordeal of at least 18 months, that one-third of all restaurants would fail. But while the sector was a focal point of damage, the data suggests that just under 20% of all restaurants closed during the pandemic. This wasn't because economists were wrong on the risks that were apparent early in the crisis, it's that PPP loans (though ham-handed, especially earlier in the pandemic), operator grit (concepts pivoting and adapting at lightning speed), and, most of all, landlord largesse prevented the damage from being far worse.

That said, we have been in a prolonged period of historically low-interest rates. Since 1955, the average Fed funds rate has been 4.63%. In fact, from 1955 through 2000, the average was 6.09%. If you just look at 2000 onward, that number falls to 1.63%. Since 2010 it's averaged just 0.54%. The last ten years have been a historic anomaly, not the norm.

But this doesn't mean a shift towards a higher interest rate environment, though a move towards more normal (historically) interest rates won't be without a disruptive impact.

The metric that is creating the most gloom for economists currently is the yield curve. This is the relationship between the short- and long-term interest rates of fixed-income securities issued by the U.S. Treasury. An inverted yield curve occurs when short-term rates exceed long-term rates. Under normal circumstances, the yield curve is not inverted since debt with longer maturities typically carries higher interest rates than nearer-term ones. The challenge is that when the yield curve becomes inverted, it means that the near-term has become riskier to investors than the long-term. Thus, an inverted Treasury yield is one of the most reliable indicators of an impending recession.

Right now, the Fed is trying to thread a needle between taming inflation but not crashing the economy to do so. But, as David Barbuscia of Reuters points out in his article, [U.S. Yield Curve Points to Recession Risk as Market Challenges Fed's 'Soft Landing,'](#) the yield gap between 10-year and two-year Treasuries has already narrowed by 60 basis points since the beginning of the year, with the longer-term notes now yielding just 21 basis points more than the two-year debt. An inversion of the two is generally seen as predating a recession by anywhere from seven to 24 months. This has been the case in all but one recession since 1955. Recent stock market volatility (major indices are down anywhere between 8% and 15% so far this year) as well as a market overreaction to interest rate hikes could easily result in an inverted yield curve in the next few months.

That isn't necessarily how things will play out. When the Fed raised interest rates on March 16<sup>th</sup>; the Nasdaq initially fell to 13,049.29. By the end of the day, it rallied and as of the morning of March 21<sup>st</sup> stood at 13,893.84. The Dow Jones followed a similar pattern. The NYSE Composite Index didn't even dip—it just climbed on the news as investors viewed it as a positive movement to head off inflation.

The risk of recession ahead has clearly increased with the impact of Russia's invasion of Ukraine, though it's far from a done deal. For one thing, uncertainty is likely to drive far greater foreign investment to safer harbors given current circumstances. Russia aside (which I would argue is already in the early stages of a deep recession), there is a very strong likelihood of a European recession. Meanwhile, investors are likely to also view China with far more caution. This means that the Americas are likely to be the beneficiary of investors seeking relative stability. A high level of foreign demand in U.S. securities could stem this tide. As could a significant ramp-up of oil production in the US and abroad. The increase in interest rates is also likely to start to cool the labor market in the months ahead, which will eventually slow wage inflation. The point is that the risk of recession has increased substantially, but it is not a given depending on a myriad of factors, not least among them the countermeasures we take.

That said, watch the yield curve closely in the weeks ahead. In 11 of the past 12 recessions, an inverted yield curve preceded a recession (both major and minor ones) by seven to 24 months.

See you next week,

Garrick



# Top 10

## Stories of the Week

[Declining Birth Rates Will Drive Inflation in Perpetuity](#)

Robin Report 3/18

[How Sales, Sentiment, Supply Chain and Interest Rates Will Play Out in 2022](#)

ICSC 3/18

[Amazon Closes \\$8.5B Deal to Acquire MGM Studios](#)

Miami Herald 3/18

[From Luxury to High Street All Eyes on the USA; Geopolitics Driving Renewed Interest in US Growth](#)

Business of Fashion 3/18

[A Minnesota Mall Sold and it Wasn't Value Add](#)

ICSC 3/17

[Higher Energy Costs are on Hospitality's Radar](#)

Real Economy Blog 3/16

[Fed Raises Rates and Projects Six More Hikes Thru End of Year](#)

New York Times 3/16

[Grocers are Still Growing but Search for Space to become More Nuanced](#)

ICSC 3/16

[Shenzhen Lockdowns to Further Disrupt Supply Chain](#)

Supply Chain Dive 3/14

[Expect More Retail Portfolio Deals as Investors Seek Opportunities of Scale](#)

ICSC 3/12



# Economic Headlines

## *Stories of the Week*

### [Rate Hike Starts Countdown to Next Recession](#)

The Real Investment Report 3/19

### [Home Sales Dip in February Thanks to Inflation and Rising Interest Rates](#)

The Real Economy Blog 3/18

### [US Retail Spending Slows as Inflation Starts to Bite](#)

Arkansas Business 3/17

### [Initial Jobless Claims Fall Below Pre-Pandemic Levels](#)

The Real Economy Blog 3/17

### [Industrial Production Advanced, and Oil and Coal Outputs Ramped Up Amid Rising Prices](#)

The Real Economy Blog 3/17

### [What the Fed's First Interest Rate Hike in Four Years Means for the Market—and a Potential Recession](#)

Fortune 3/16

### [Consumers Shift Spending as Prices Continue to Rise](#)

Costar 3/16

### [Trucking Industry Feels Pain of Rising Diesel Prices](#)

CBS 3/15

### [US Retail Sales Slow, Huge Savings Likely to Provide a Cushion Against Inflation](#)

Reuters 3/15

### [National Retail Federation Forecasts Sales to Slow in Uncertain Year](#)

Costar 3/15



# Property Trends

## Stories of the Week

[The Changing Face of Indy's Malls](#)

Indianapolis Business Journal 3/19

[\\$564.6M Housing and Retail Complex to Replace Vacant Herberger's Department Store at Fargo's West Acres Mall](#)

Inforum 3/19

[The Future of Airport Retail](#)

Business of Fashion 3/18

[Breakfast Above Tiffany's; Unique Retail Rehab with Luxury Penthouse Makes it Possible](#)

Costar 3/17

[Westgate Mall \(Bethlehem, PA\) Redevelopment Continues](#)

Morning Call 3/17

[Retail Reawakens: Lunch Lines Are Back in Downtown Chicago](#)

The Real Deal 3/17

[Cayuga Health Acquires Space at New York Mall That Once Housed Sears, Bon Ton Stores](#)

Chain Store Age 3/16

[How Malls Are Evolving Across Las Vegas](#)

8 News Now 3/16

[Retail Tenants Seek Smaller Spaces for Consumer Convenience](#)

Costar 3/15

[The State of Twin Cities Retail](#)

MSP Mag 3/15

[WRS Gears Up for Redevelopment After Closing on Last Pieces of Lakeforest Mall \(Gaithersburg, MD\)](#)

Costar 3/15

[Outdoor Activations Will Outlive the Pandemic](#)

ICSC 3/14

# Retail Headlines

## Stories of the Week

[Expansion of Target Store Near Disney World Will Double its Size](#)

Minneapolis/St. Paul Business Journal 3/19

[Ryan Cohen Brings Activist Approach to Bed Bath and Beyond](#)

CNBC 3/19

[Costco Heading to Buckeye AZ](#)

ABC15.com 3/18

[Hobby Lobby Coming to Rocklin's \(CA\) Blue Oaks Town Center](#)

Sacramento Business Journal 3/18

[Burlington Opening in Santa Rosa CA This Fall](#)

North Bay Business Journal 3/18

[What New Ownership Could Mean for Kohl's](#)

Retail Dive 3/18

[Madewell Closing Downtown Detroit Store](#)

Detroit Free Press 3/18

[PopShelf Coming to Fort Worth](#)

Community Impact 3/18

[GameStop's Loss Widens in First Year of Transformation Under Ryan Cohen](#)

Retail Dive 3/18

[Pink Noire Opens Physical Store in Memphis](#)

Memphis Business Journal 3/18

[LL Bean Sets Records in 2021: Opening Four Canadian and Three US Stores](#)

Chain Store Age 3/18

[After Nearly Two Decades in Decline, What's Next for Office Supplies](#)

Retail Dive 3/17

[Burlington Opening in Granada Hills CA](#)

Daily News 3/17

[First Look: Bucherer's Time Machine Concept in NYC](#)

Chain Store Age 3/17

[Blu Dot: Were Not a Unicorn, Were a Mule—Furniture Store Ramping Up Growth Nationally](#)  
Minneapolis/St. Paul Business Journal 3/17

[Bob's Discount Furniture Opening Third Minnesota Store](#)  
Minneapolis/St. Paul Business Journal 3/17

[Nike Swooshes into Houston With Technologically Enhanced Store](#)  
Houston Culture Map 3/17

[Warby Parker's Net Loss for Q4 Widens; Still Planning 40 New Stores This Year](#)  
Retail Dive 3/17

[Von Maur Opening in Detroit: First Department Store to Open in Years](#)  
Michigan Business 3/17

[Unfazed by Comp Declines, Dollar General Eyes Deeper Expansion \(1,110 New Stores\)](#)  
Retail Dive 3/17

[Hudson's Bay is Prepping a Bid for Kohl's](#)  
Retail Dive 3/16

[Gold's Gym Signs 40K SF Lease in Cerritos Plaza \(CA\)](#)  
Costar 3/16

[Macy's and Kohl's: A Replay of Target's Growth Strategy](#)  
The Robin Report 3/15

[Dicks to Open Experiential House of Sport in former Sears Space Near Minneapolis](#)  
Costar 3/15

[ThirdLove's Founders on its Re-Entrance to Physical Retail](#)  
Retail Dive 3/15

[Bass Pro Secures Approval for Second St. Louis Store](#)  
SGB Media 3/15

[Breitling Signs Major NYC Meatpacking District Deal](#)  
Chain Store Age 3/15

[Sur La Table Reopens Alexandria VA Store](#)  
Washington Business Journal 3/15

[Travel Gear Brand Peak Design to Open First East Coast Store in NYC](#)  
Costar 3/14

[Furniture Store Blu Dot to Open Second NYC Store with Major Lease](#)  
Costar 3/14

[Luxury Brands Intimissimi and Calzedonia Open Joint Flagship in Manhattan](#)

WWD 3/14

[Kering Buys High End Eyewear Brand Maui Jim](#)

Reuters 3/14

[LA Virtual Gaming Café Two Bit Circus Comes to Dallas](#)

Dallas Culture Map 3/14

[Sephora Opens in Elk Grove CA](#)

Sacramento Business Journal 3/14

[Wayfair is Getting Physical... Finally](#)

The Robin Report 3/14

[Uplift Desk Opens Office Furniture Showroom in Fulton Market](#)

Chicago Business Journal 3/14



# Grocery Headlines

## Stories of the Week

[Dollar General Stocks up on Perishables as Overall Comps Wilt](#)

Grocery Dive 3/18

[Save Mart Opening Small Format Banner Lucky in San Francisco Food Desert](#)

Progressive Grocer 3/18

[New Seasons Market Plans Milwaukee OR Store](#)

Oregon Live 3/18

[Whole Foods with Just Walk Out Technology Opens in Sherman Oaks CA](#)

KTLA 3/18

[Aldi Relocating to Former Barnes & Noble Store Near Dayton Mall \(OH\)](#)

WHIO 3/17

[US Rapid Delivery Space Consolidates Further](#)

Grocery Dive 3/17

[HEB is Planning a Store in Melissa TX](#)

Dallas Morning News 3/17

[Amazon Makes Sustainability History with New Fresh Store in Seattle](#)

Chain Store Age 3/17

[Pickup Only Grocer Fresh Street Opens First Click and Collect Location in Chicago](#)

Grocery Dive 3/17

[HEB Starts Construction on New West Austin TX Store](#)

Virtual Builders Exchange 3/17

[Forney TX Approves Site for New HEB Store](#)

Spectrum Local News 3/17

[Super Metro Supermarket Signs 15-Year 20K SF Deal in Rancho Cucamonga CA](#)

Costar 3/16

# Restaurant News

## Stories of the Week

### [14 Franchise Restaurants in Growth Mode](#)

QSR Magazine 3/19

### [NRN Editors Discuss all the CEO Exits and Famous Dave's Parent's Latest Acquisition](#)

Nation's Restaurant News 3/19

### [Uncle Julio's to Open in Frisco TX](#)

Community Impact 3/19

### [From Firehouse to Food Hall: Rolling Meadows IL Developer Offers Redevelopment Plan](#)

Daily Herald 3/18

### [Oath Pizza Opening in LA](#)

Pizza Marketplace 3/18

### [Shake Shack Opening First Orlando Location with Drive thru](#)

Click Orlando 3/18

### [El Pollo Loco Alters Franchise Plan \(Open 140 Units in the West Over Next Five Years\) After Disappointing 2021](#)

QSR Magazine 3/17

### [Shaquille O'Neal's Big Chicken to Expand in OK and TX](#)

QSR Magazine 3/17

### [Plant Power Food Opens New LA Location](#)

QSR Magazine 3/17

### [Ike's Love & Sandwiches Opens in Sherman Oaks, CA](#)

QSR Magazine 3/17

### [US Restaurant Chains Curb European Growth Plans in Wake of Ukraine Invasion](#)

Costar 3/16

### [Slim Chickens to Open Third Store in Utah](#)

QSR Magazine 3/16

### [Shuttered Denver Food Hall, Broadway Market, Goes Up For Lease](#)

Business Denver 3/16

### [Marco's Pizza Signs 46 Store Development Agreement for Phoenix Market](#)

QSR Magazine 3/16

[Rita's Italian Ice Opening First Casino Location](#)

QSR Web 3/16

[I Heart Mac and Cheese to Debut in Virginia](#)

QSR Magazine 3/16

[PF Chang's To Go Opens in Oviedo FL](#)

Orlando Business Journal 3/16

[Sweetgreen Revamps Outposts After Adding 200 Sites in Less Than 6 Months](#)

Nation's Restaurant News 3/16

[Blaze Pizza Signs Development Deal for Chattanooga TN](#)

QSR Magazine 3/16

[Wayback Burgers Opening in Durham NC](#)

QSR Magazine 3/16

[Old Spaghetti Factory Heading to Colorado Springs](#)

What Now Denver 3/16

[MUTT's Canine Cantina Finalizes Lease for Gilbert AZ Store](#)

QSR Magazine 3/16

[PF Chang's: We're Taking Takeout to the Suburbs](#)

Chain Store Age 3/16

[Fatburger and Buffalo's Express Growing in Alaska](#)

QSR Magazine 3/16

[Randy's Donuts Opens First Santa Ana, CA Store](#)

QSR Magazine 3/15

[Mutt's Canine Cantina Expanding in AZ](#)

Fast Casual 3/15

[Vitality Bowls Inks Deal to Open in Charlotte NC](#)

QSR Magazine 3/15

[BBQ Holdings Snaps Up AZ Restaurant Chain Barrio Queen for \\$28M](#)

Costar 3/15

[Piada Opening in Houston Medical Center](#)

Fast Casual 3/14

[Frank Pepe Pizzeria Napoletana Opening in Maryland Mall](#)

Pizza Marketplace 3/14

[Pie Five Opens in Skokie IL](#)

Pizza Marketplace 3/14

[Meet the Franchisee Bringing Tim Hortons to Texas](#)

Houston Chronicle 3/14

[Moe's Latest Location Tapped for Gaithersburg, MD](#)

QSR Magazine 3/14

[Guy Fieri Opens First Eatertainment Location \(Downtown Flavortown\) in Dollywood](#)

Costar 3/14

[Slim Chickens Announces First NC Store in Charlotte](#)

QSR Magazine 3/14

[Jet's Pizza Landing in Las Vegas](#)

Pizza Marketplace 3/14

[Starbucks to Expand Community Store Footprint to 1,000 Units by 2030](#)

Chain Store Age 3/14

[Guthrie's Opens in Dothan AL](#)

QSR Magazine 3/14

[Cici's Gets Behind Growth of Dillas Quesadillas](#)

QSR Magazine 3/12

[Savannah Seafood Shack Begins Franchise Program](#)

QSR Magazine 3/12

[Jet's Pizza Planning to Open 30 Stores This Year](#)

Pizza Marketplace 3/12

[Chicken and Whiskey Headed to Northern Virginia](#)

QSR Magazine 3/12

# REITs, Landlord & Development

## Stories of the Week

[Related's 9.2MSF \(1MSF of Retail\) Santa Clara Mixed-Use Project Underway](#)  
Construction Review Online 3/19

[Cary's \(VA\) Fenton 345K SF Shopping Center Opening Pushed Back to April](#)  
News & Observer 3/19

[New Retail Plaza Takes Shape Near Radio City in Manhattan](#)  
Chain Store Age 3/18

[Inland Empire Center in Fontana \(CA\) Sells for \\$71M](#)  
LA Business First 3/18

[Los Angeles Retail Site Sells for Almost \\$2,500 PSF](#)  
Commercial Observer 3/18

[Coro Realty Sells Cross Country Plaza \(Columbus, GA\) for \\$42.6M](#)  
Shopping Center News 3/18

[PREIT Unloads Troubled Exton Square Mall in PA; New Owner Likely to Redevelop](#)  
Costar 3/16

[Big CA Lifestyle Owner DJM Acquires Four Grocery-Anchored Centers](#)  
Chain Store Age 3/16

[From Malls to Moguls: Sneaker Empire Founders \(Shoe Palace\) Step Up Real Estate Investments Across USA](#)  
Costar 3/16

[Bakersfield's \(CA\) Ming Plaza Sells for \\$26.5M](#)  
Shopping Center News 3/15

[Owner Sells Westfield Promenade \(Woodland Hills, CA\) Mall Eyed by Los Angeles Rams Owner Kroenke as Training Site for \\$150M](#)  
Costar 3/15

[Hines Sells Galleria in Edina, One of Minnesota's Most Opulent Malls for \\$150M](#)  
Costar 3/15

[Billionaire Owner of LA Rams Kroenke Adds to Expanding Colorado Retail Property Portfolio](#)  
Costar 3/14



# eCommerce / Omnichannel / Retail Tech

## Stories of the Week

[The Six Biggest Retail Technology Stories of the Week](#)

Retail Innovation Hub 3/19

[Fast Grocery Delivery Firm Buyk, Hurt by Russian Sanctions, Files for BK](#)

Costar 3/18

[Amazon is Slowing its Fulfillment Center Spend: What's Next](#)

Retail Dive 3/18

[Three Reasons Physical Retail Will Survive the Metaverse](#)

Motley Fool 3/18

[Adobe: 21 Consecutive Months of Inflation Driving eCommerce Growth](#)

Retail Dive 3/16

[US Consumers Spend \\$6.7B Per Month on Online Groceries](#)

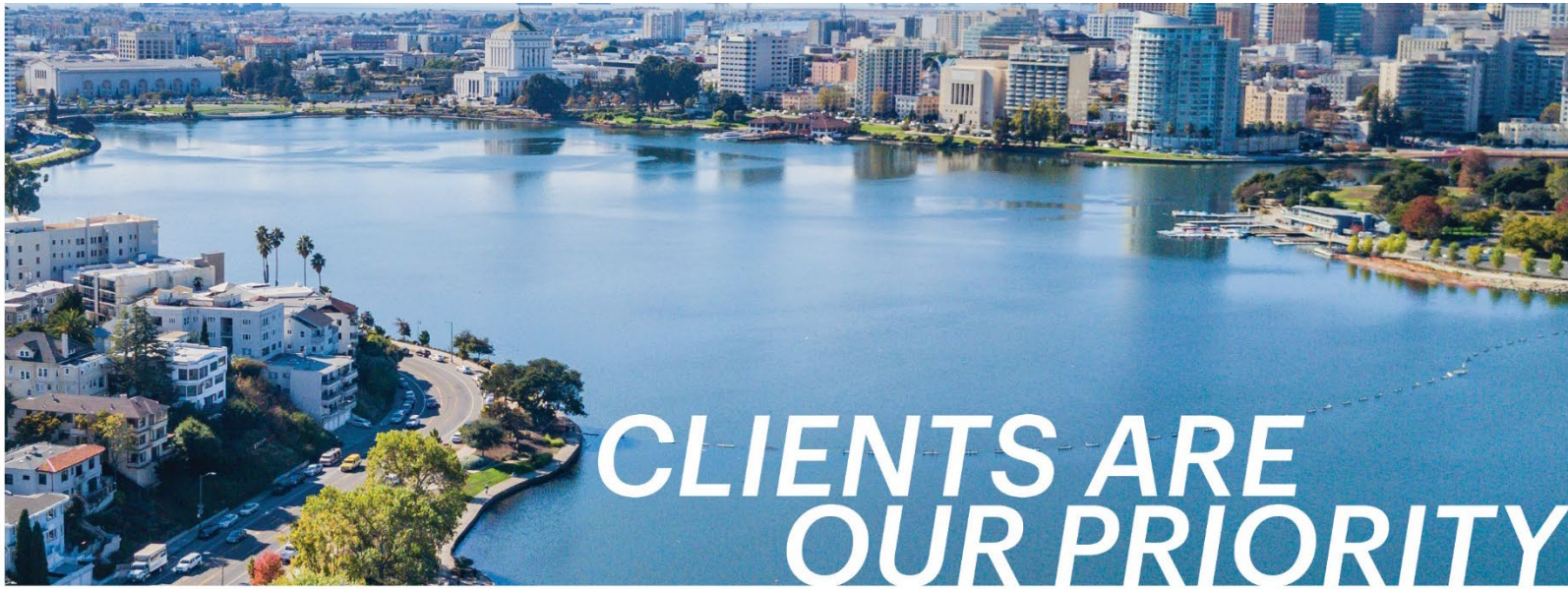
Grocery Dive 3/16

[Target Expanding Logistics Footprint](#)

Retail Customer Experience 3/15

[Skechers Invests in the Metaverse](#)

Retail Innovation Hub 3/14



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