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Retail CRE and the *Pandemic*

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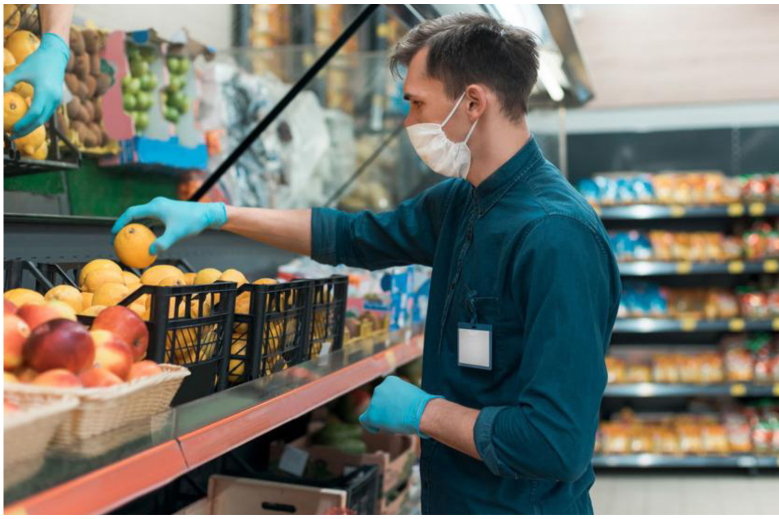
Those of us who are emerging relatively unscathed from the trauma of the last 12 months, while of course grateful, remain extremely aware of how many lives have been lost or irrevocably damaged. In addition, as well documented, the economy has taken a significant hit since March 2020. I am a broker for companies in various segments of retail who each exemplified a range of responses and impacts during the pandemic. The below are just a few examples of the busines ramifications of this epidemic.

One of my clients had spent the last 30 years building his chain of salons to 80+ units. It is a family business, and his son and daughter were going to take over the operation as he happily retired in 2021 from a career well done. Unfortunately, this is one of the sectors that was hit exceptionally hard. That said, he was able to move quickly and close a number of previously under-performing Supercuts, slash overhead, work with his many landlords and take advantage of government support like PPP. Consequently, it looks at this point like he will survive albeit a shell of the former business. Retirement is obviously now off the agenda.

We have all seen the sobering statistics showing how many sectors of the economy have been devastated. The retail commercial real estate industry has been hit exceptionally hard, although there are still several bright spots.

Established brands like Jack in the Box, or really any restaurant with a drive-thru window, has for the most part survived intact. Several fast-food providers are actually producing positive month-to month sales over 2019!

The grocery sector, including Sprouts, worked quickly to sanitize their stores and as much as possible get ahead of the virus. Fortunately, the sales for this sector have been extremely healthy throughout the pandemic.



Luna Grill was hit hard like all restaurants. However, they already had a healthy take-out business, so they quickly pivoted, putting all their energy into making this category even more efficient. As such they were able to not only survive, but they have recently kicked back into gear a hunt for new store development.

As a broker that does strictly tenant representation, I spend much of my time on the opposite end of the table from the Landlord and generally view the world through that lens. However, during a lot of the negotiations that have taken place in an effort by both parties to mitigate the damage and come out the other side as healthy as possible, I found many of the landlords to be extremely forthcoming and helpful. The reality of course is that everyone generally has the same objective which is to keep the store open to produce lots of sales and pay rent on time. Some of the landlords would do little and just left the retailer to fend for themselves...and understandably their stance was probably motivated by how hard they had been hit and they were dealing with their own cashflow issues. Then there were others, like Sudberry Properties, who would spend the time to determine if the retailer was an operation they wanted to keep and who they believed, with the right amount of help, would survive. At that point they really stepped up with creative ways to ease the cashflow crunch so the retailer could live to fight another day.

Be well, be safe and hang on tightly to the roller coaster we call Retail CRE.