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NATIONAL ASSOCIATION OF REALTORS®



U.S. Mall Closures Likely Accelerated Due To COVID-19

U.S. malls shuttering over the next three to five years

- Why?
- Which mall? Class B, C, and D

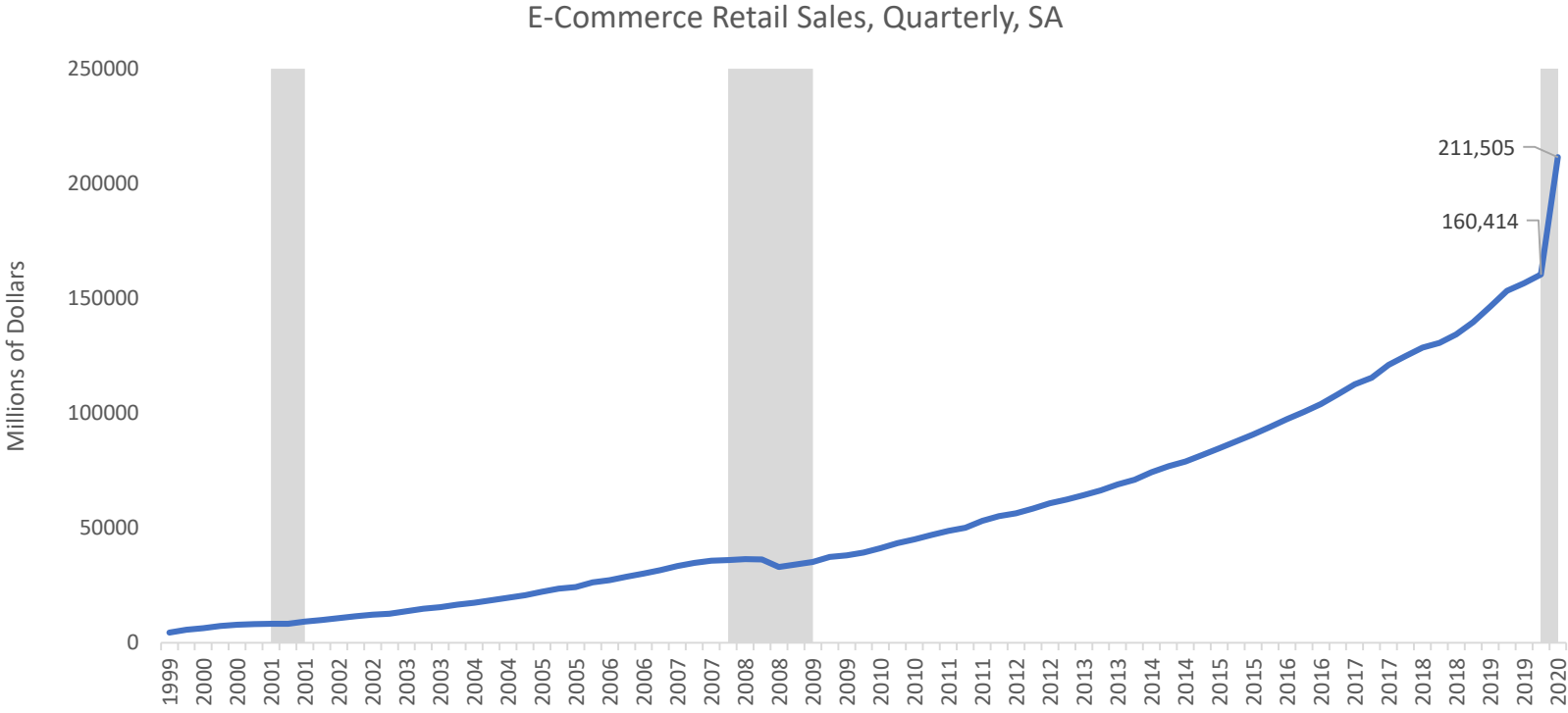
Anchor store closures amplifying challenges faced by mall owners

- Department store closures drain malls of anchor tenants, reduces consumer appeal which then initiates in-line stores to invoke co-tenancy clauses, and thus, pay reduced rent or terminate their leases

Repurposing retail space into fulfillment centers, health-care armories and grocery retail

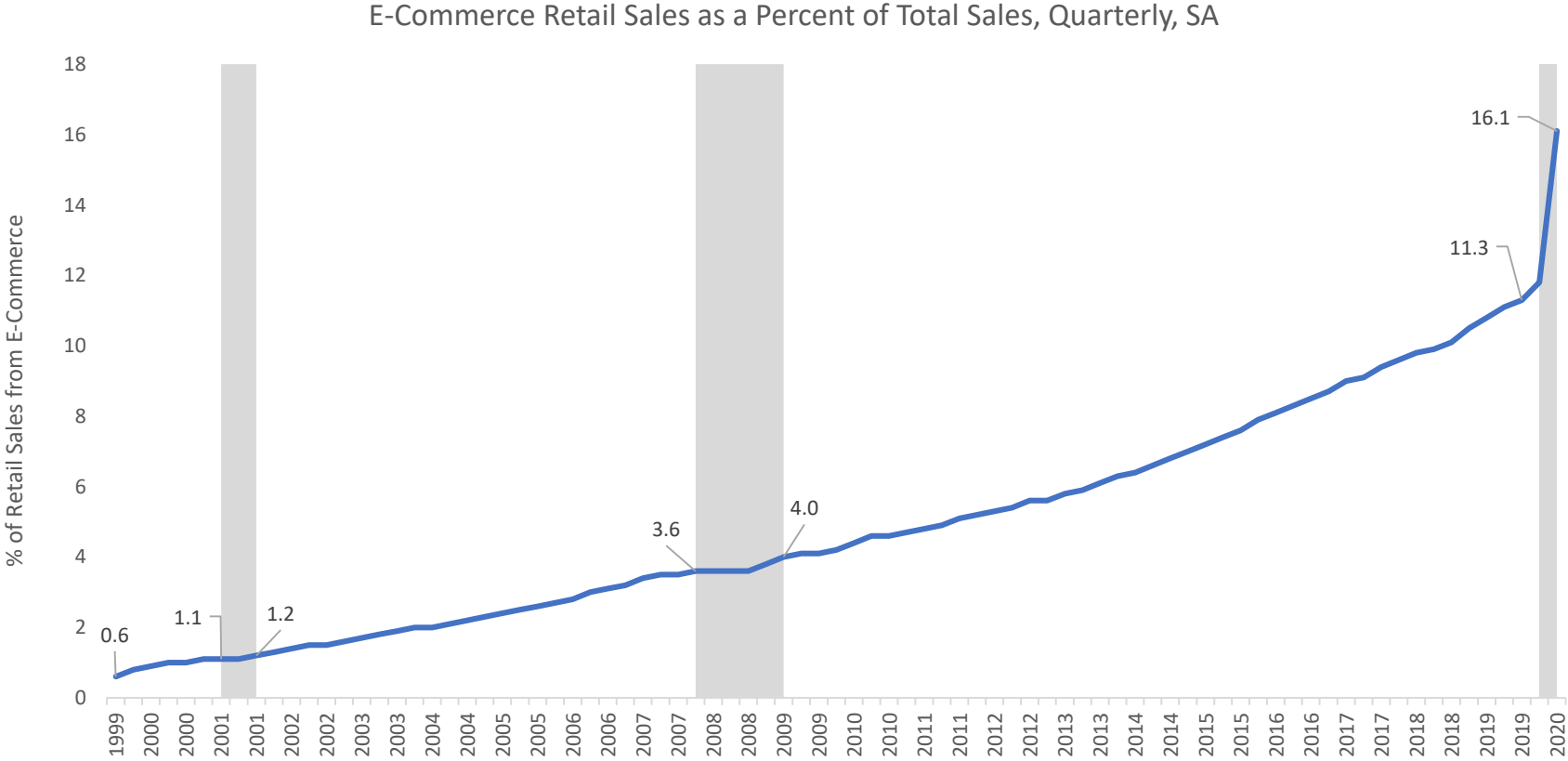
- Coronavirus pandemic shift a significant portion of sales online and accelerated retailers adoption of e-commerce
- Reuse Misconception

2nd Quarter E-Commerce Retail Sales Continue Uptick



Source: U.S. Census Bureau
Note: Recession Shading (grey area)

2nd Quarter E-Commerce Retail Sales as a Percent of Total Sales



Source: U.S. Census Bureau
Note: Recession Periods (grey area)

Retail Use to Industrial Use Conversion

Industrial reaped rewards from shift to e-commerce

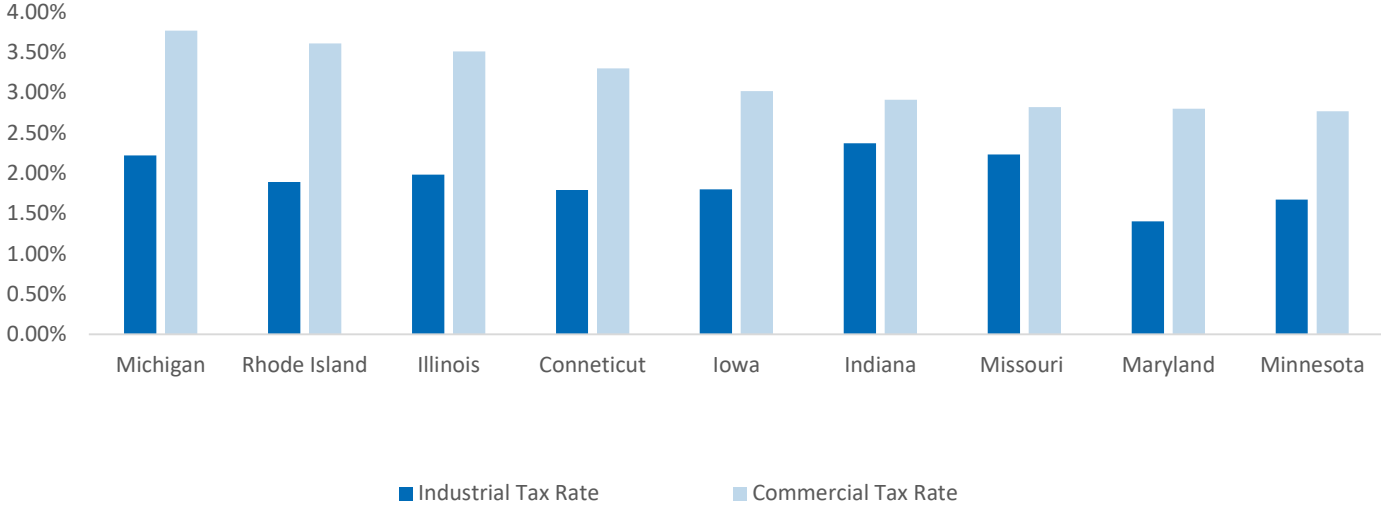
- Online retailers need more than three times the logistic space of brick-and-mortar
- E-commerce growth underpins the increase in demand for industrial warehouse/distribution space, as e-commerce continues to increase, demand for logistic space will continue to increase

Relative to other property types, Industrial strength

- Tear down retail space for warehouse space?
 - Cost
 - Zoning
 - State and local government have little incentive

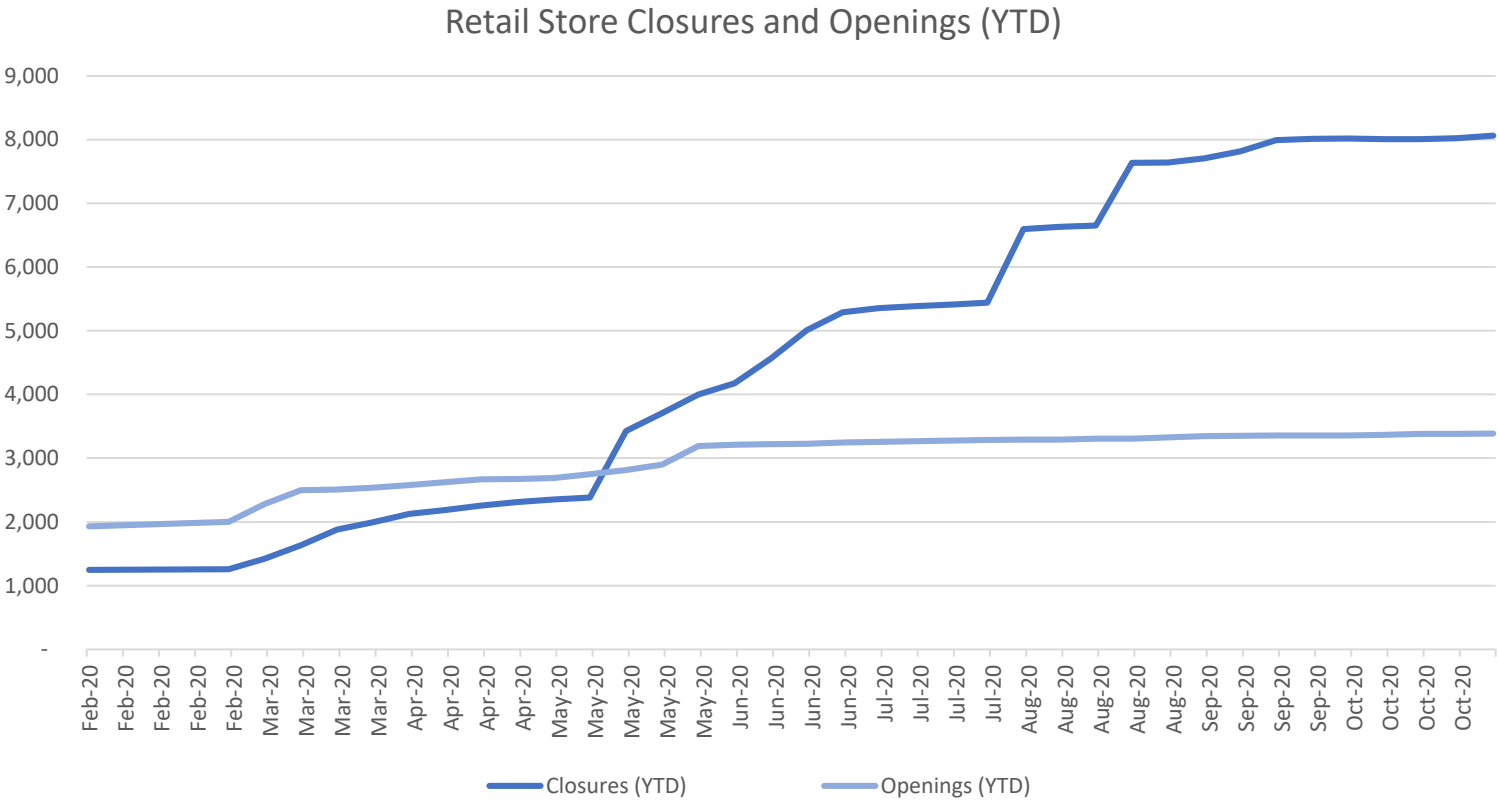
Tax Rate Comparison: Industrial tax rate less than commercial rate

Industrial vs Commercial Property Tax Rate Comparison



Source: Lincoln Institute of Land Policy
Note: Selected States

Significant Retail Bankruptcy Filings and Retail Closures



Source: Coresight Research

Amazon Lease Vacant Simon Retail Space For Fulfilment Center

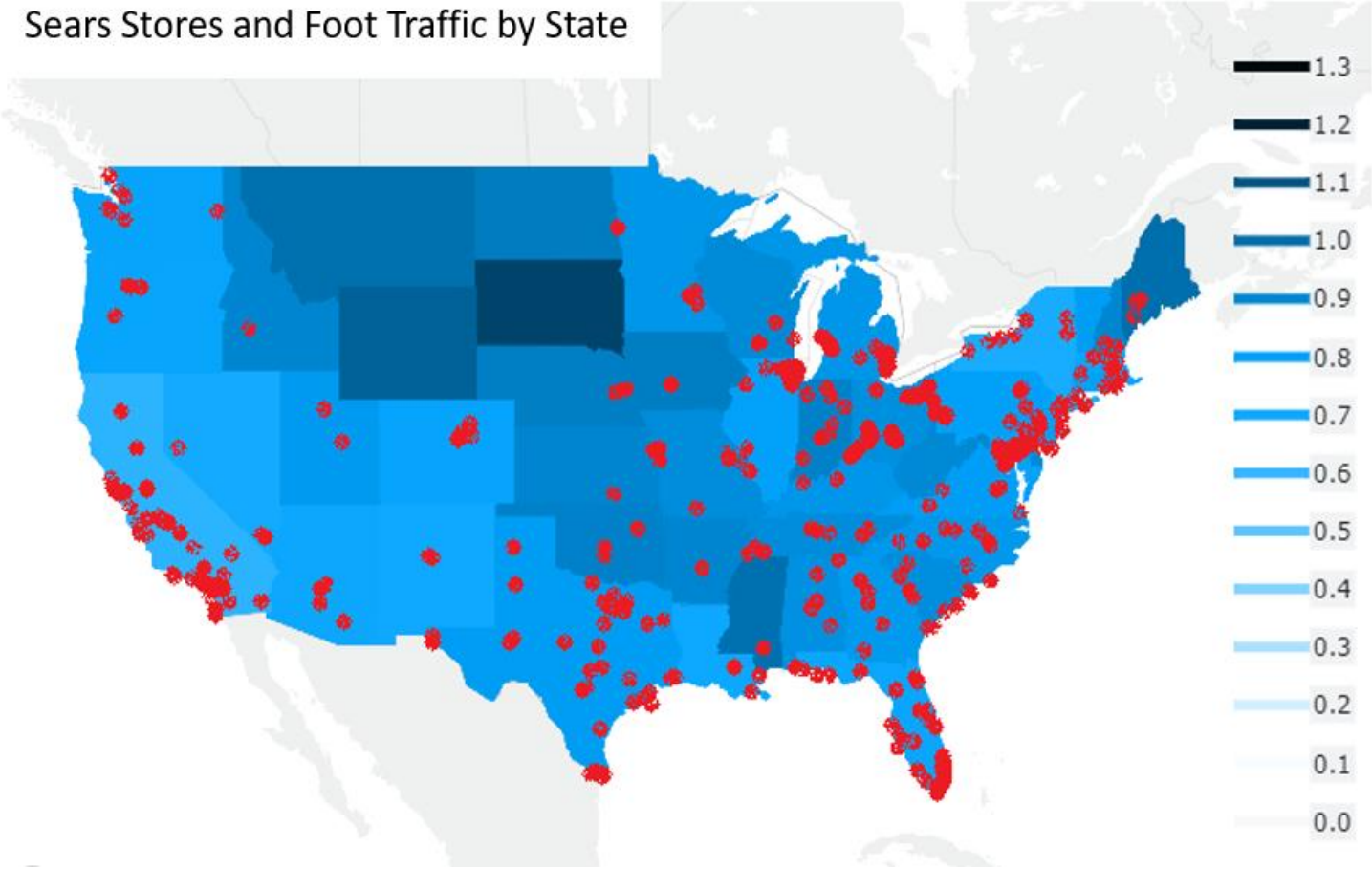
Is this a viable option?

- Yes



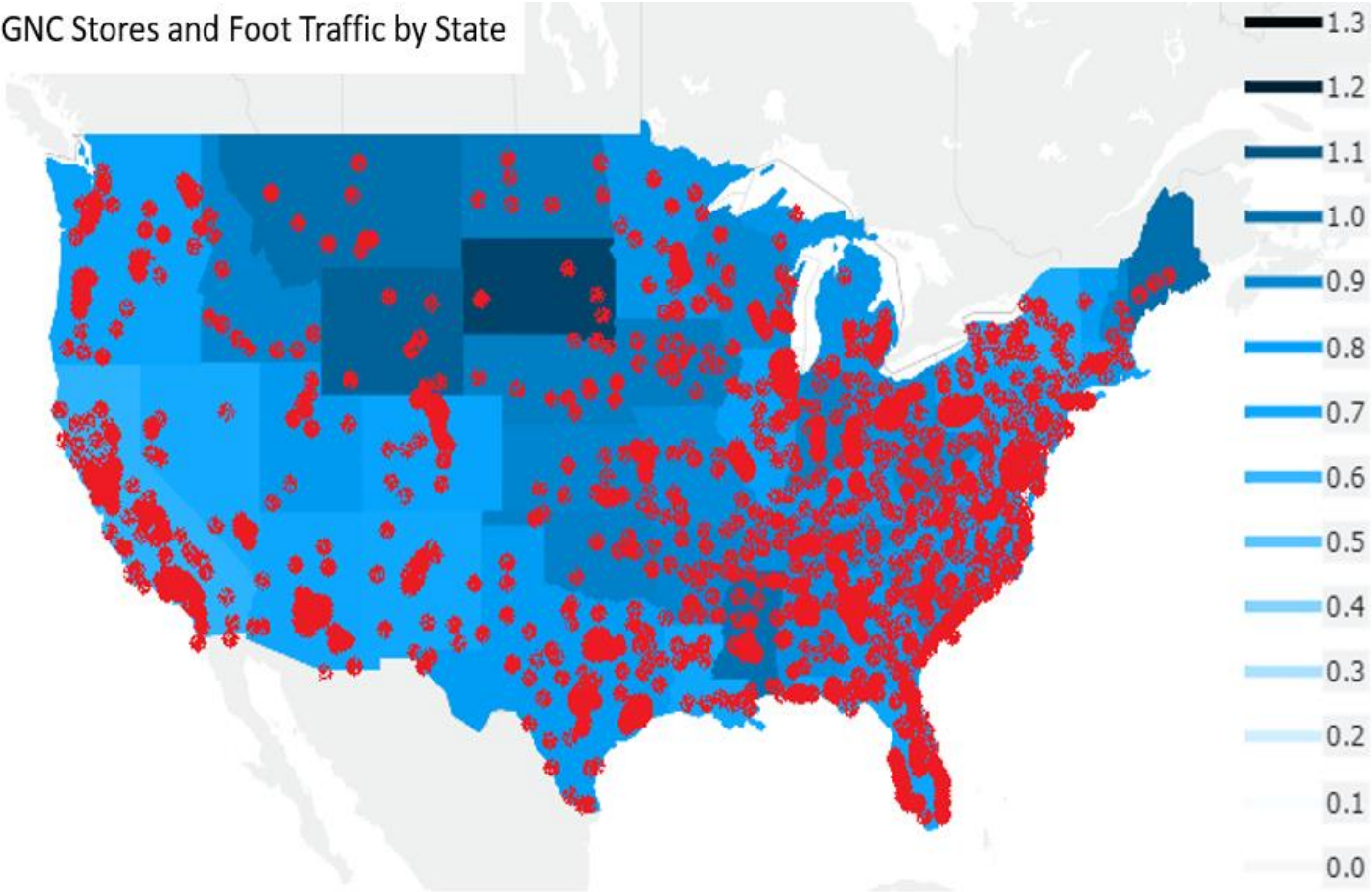
Sears

Sears Stores and Foot Traffic by State



GNC

GNC Stores and Foot Traffic by State



Determining Factor Of Repurposing Retail Space as Industrial Space

Supply chain logistics with focus on end use/consumption

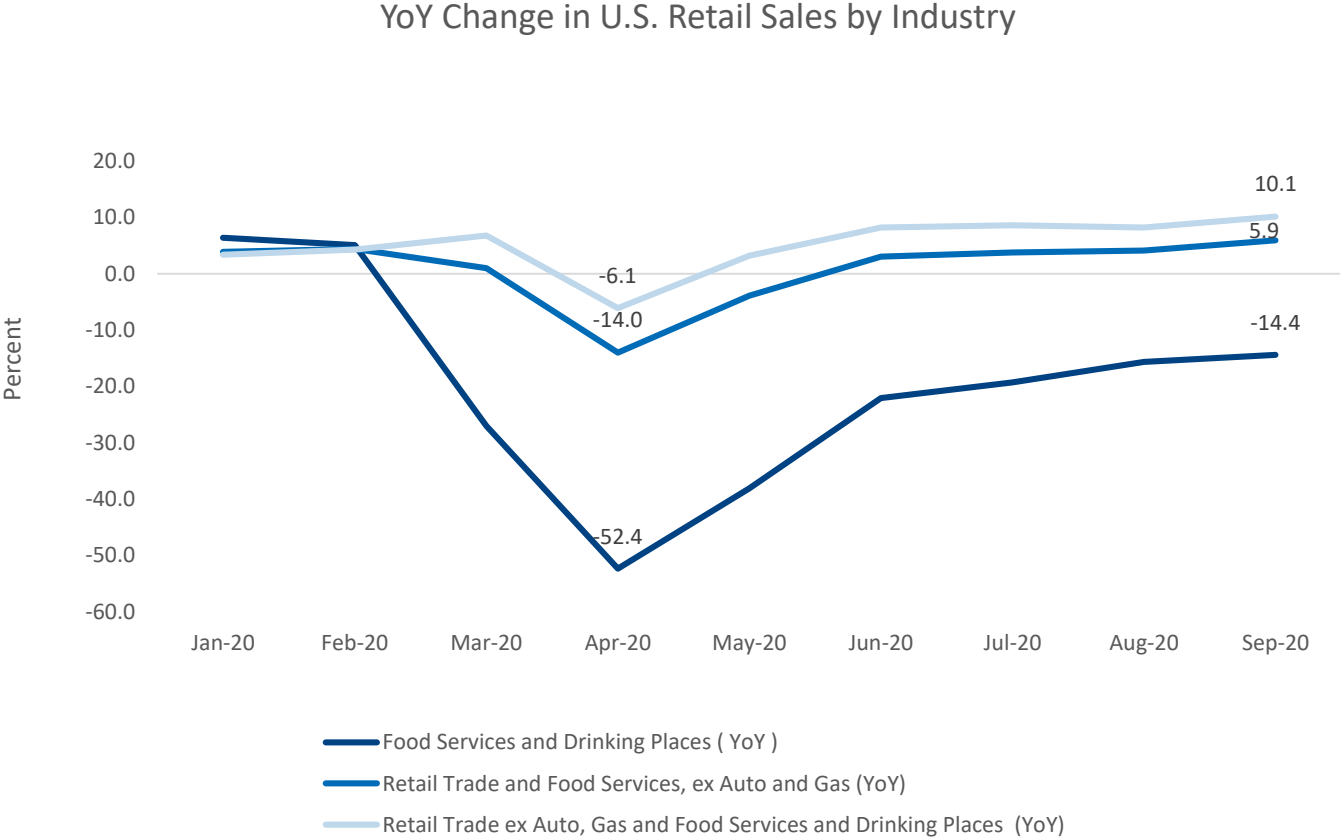
- last touch (last stop before product is delivered to consumer doorsteps), city distribution (quick shipping to a large market), multi-market (service multiple markets with the right balance between locations and functionality) and gateway (multi-market building with access to major seas and ports)

Determining factors:

- Location, Location, Location
- Final Use

Weekly Retail Update

Consumer spending has transitioned to traditional retail from experiential retail, increasing retail sales



Source: U.S. Census Bureau

THANK YOU.



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