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

E-Commerce Retail Sales, Quarterly, SA

Source: U.S. Census Bureau
Note: Recession Shading (grey area)
2nd Quarter E-Commerce Retail Sales as a Percent of Total Sales

E-Commerce Retail Sales as a Percent of Total Sales, Quarterly, SA

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
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.