Resurgence of Retail
Cyclical Factors

- Spending has returned, and for some sectors surpassed, pre-COVID levels, but not all retail sectors have recovered.

- Urban retail will continue to suffer more than suburban shopping until daytime workers return to offices, and tourism levels return to normal.

- Retail sales reached a new peak in May of this year, bolstered by the combination of robust savings during the pandemic and pent up demand.
Retail sales have exceeded expectations and are poised to set 2021 records from pent up demand

- Retail sales dipped slightly in June after reaching a new peak in May of $641M.
- The uptick in vaccinations, relaxed retail restrictions, warmer weather and stimulus checks all contributed to the observed uptick.
- The National Retail Federation raised its outlook for the year and predicts that retail sales will grow between 10.5% and 13.5% in 2021.
Retail sales remained static M-o-M in June, but most sectors continue to see huge gains from 2020

- Two of the hardest hit sectors during the pandemic – apparel and F&B – continue to see significant growth as municipal restrictions are relaxed.
- Pent up demand for restaurant experiences has contributed to a 40.2% increase in food & beverage spending.
- All retail categories outside of grocery are seeing outsized gains compared to April 2020, when lockdowns were at the strictest.

Year-over-year % change in spending as of June 2021

- Apparel: 47.1%
- F&B: 40.2%
- Electronics & appliances: 37.3%
- Gas stations: 37.1%
- Department stores: 24.4%
- Misc. retail: 22.8%
- Auto parts & dealers: 19.5%
- Total retail: 18.0%
- Furniture & home furnishings: 17.1%
- Health & personal care: 13.8%
- General merchandise: 10.5%
- Sporting goods & hobby: 10.2%
- Building materials: 6.8%
- Grocery stores: 2.5%

Source: JLL Research, US Census
Residential shopping districts in cities have returned or surpassed previous volume, while CBD shopping districts have yet to fully recover

- Suburban shopping centers and prime urban corridors located near residential neighborhoods have seen foot traffic return to pre-pandemic levels.

- Residential prime urban corridors have seen the greatest recovery, with foot traffic having now exceeded pre-pandemic levels by 18% on average.

- Demand will eventually return for central business district retail, but flexible work-from-home policies through 2021 will mean few daytime workers to spend at retailers that survive on office density.

Select shopping centers were chosen to represent markets that JLL tracks nationally

Source: JLL Research, Placer.ai
Center City shopping corridors have recovered more pedestrian traffic than some other major shopping destinations including Fifth Avenue, Michigan Avenue, Downtown Crossing.

Prime Urban Corridors foot traffic (change from June 2019 to June 2021)

Las Vegas Strip
Miami - Lincoln Rd
San Francisco - Marina
Los Angeles - Beverly Hills Triangle
Boston - Seaport District
NYC - SoHo
Los Angeles - Abbot Kinney
Chicago - Oak St
Boston - Newbury Street
NYC - Meatpacking
San Francisco - Fillmore
Chicago - S Fulton Mkt
Philadelphia - Market East
Washington DC - M Street
NYC - Madison Ave / Upper East Side

Philadelphia - Walnut St
Chicago - N Michigan Ave
San Francisco - Hayes Valley
Chicago - S Michigan Ave
Boston - Downtown Crossing
NYC - Fifth Avenue
Midtown Rock Center
Chicago - State St
San Francisco - Union Square
NYC - Times Square

Source: JLL Strategic Consulting Group survey of Fortune 500 office users, WSJ
Grocers continue to bet big on the CBD’s growing population. 15 supermarkets have opened in the last five years, with half a dozen more on the way in 2022-2023.

Grocers are betting big on Philadelphia’s continued role as a residential destination of choice within the broader region for moderate and high-income households.
Average Center City Daily Pedestrians, Weekday & Weekend

Source: Center City District, pedestrian volume counters
Newly Opened and Coming Soon Retailers

**Brewery**
- Meyers Brewing Co.
- Victory Brewery Company
- Source Farmhouse Brewery
- Other Half Brewing Co.
- Brewery ARS
- Misconduct Tavern
- Uptown Beer Garden
- Lawn at Loveluck
- Sunset Social

**Casual Full-Service**
- Sabrina’s Café
- Top Tomato
- LMNO
- Rex 1516
- Kalaya Thai Kitchen
- Hook & Master
- El Chingon
- La Chinesca
- Coney Shack
- Eeva
- Huff & Puff BBQ
- Ember & Ash
- Gabriella’s Seafood & Steak
- Saigon Quy-Bau

**Fast Casual**
- &Pizza
- Honeygrow
- Farina Pasta & Noodle
- Federal Donuts
- Goldie
- Middle Child Clubhouse
- Primary Plant Based
- Fudena
- Juana Tamale
- South Philly Barbacoa
- Ma Lessie’s Chicken & Waffles
- Taco & Ramen
- Suya Suya West African Grill
- Salam Café

**Fine Dining**
- Schulson – Two Restaurants
- Dolce Italian
- Wilder
- Sor Ynez

**Sweets**
- Sugar Factory American Brasserie
- Jeni’s Splendid Ice Cream
- Van Leeuwen Ice Cream
- Sprinkled Sweetness
- Float Dreamery
- Reanimator
- Korshak Bagels

**Retailers**
- For Eyes
- Primark
- Taft
- Philadelphia Runner
- Shoppers World
- Mitchell & Ness

**CBD**
- CBD Kratom
- Sunnyside
Where do we go from here?

**Structural Factors**
Retail of the future will have:
- Less overall selling space
- Fewer mid-priced retailers
- Tech-driven convenient shopping
- And impressive high-impact experiential retail hubs

**Key Structural Considerations**

<table>
<thead>
<tr>
<th>Theme</th>
<th>Potential impact</th>
</tr>
</thead>
</table>
| **A world of retailer have and have-nots** | - Essential retailers including grocery stores, mass merchandisers, home improvement stores and quickservice-restaurants have seen significant sales increases during the pandemic and will continue to outperform other retail sectors  
- Retailers unable to operate at full capacity like dine-in restaurants, gyms and theaters will struggle to remain in business  
- Mid-priced retailers, specifically mid-priced apparel and department stores, will struggle to stay relevant as consumers emerge from the pandemic with tighter budgets looking for value. |
| **Less retail space** | - Increased bankruptcies from COVID-19 will expedite closures and leave large vacancies across the country, particularly in B and C malls. Much of this space will not be re-tenanted and will either be demolished or repurposed for other uses. |
| **Growth of e-commerce** | - E-commerce sales had been growing steadily over the past decade, but the pandemic will have accelerated that growth. |
| **Shoppers demand convenience and reliable omnichannel options** | - Buy online, pick-up in store and curbside pick-up will be a requirement for many retailers as shoppers have become accustomed to convenience during the pandemic  
- Real estate with drive-thru capabilities will be in demand from quick-service restaurants  
- Retailers will incorporate more technology into the shopping experience for customers and will utilize new software for back-of-house operations to improve efficiencies. |
| **Entertainment will make a comeback** | - Prior to the pandemic, entertainment was one of the top uses for retail space as consumers prioritized experience over material goods, especially younger generations  
- When people feel comfortable socializing again, demand for entertainment will return. More than ever, people will value time spent with family and friends and will seek out these experiences. |