

When Tenants Take a Fall Adaptive Reuse of Vacant Retail



AECOM

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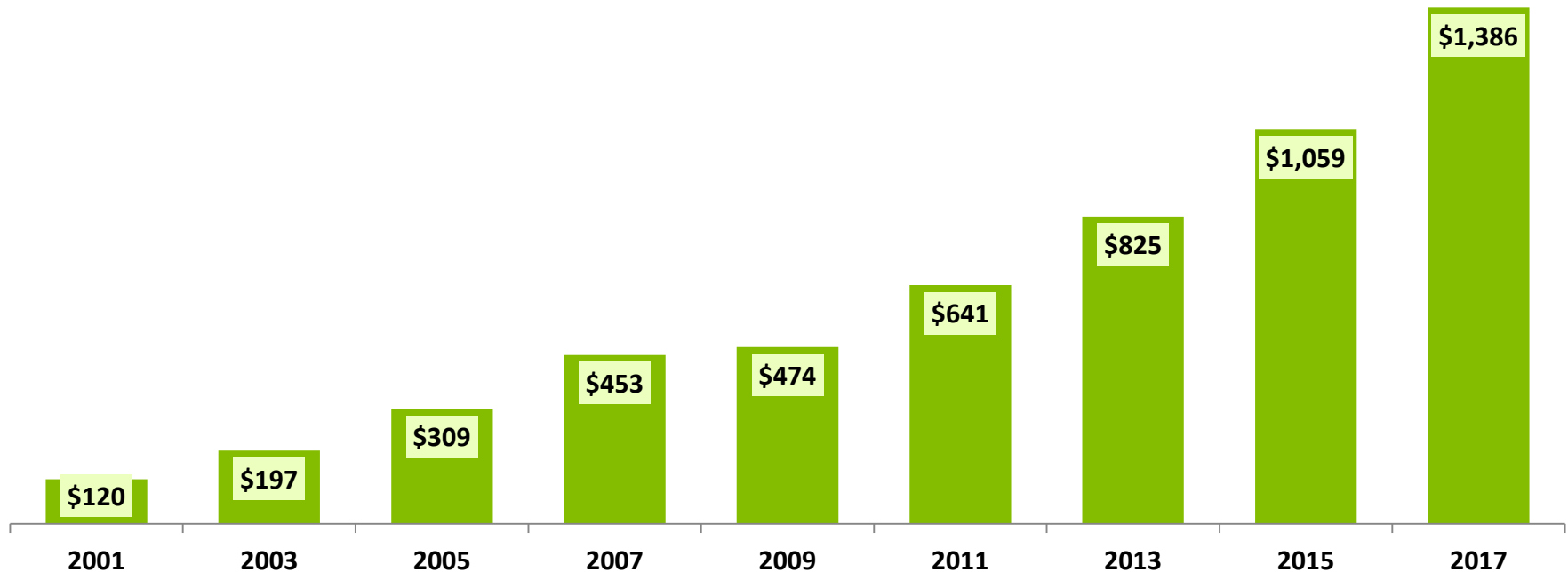
National Retail Trends



E-Commerce Trends

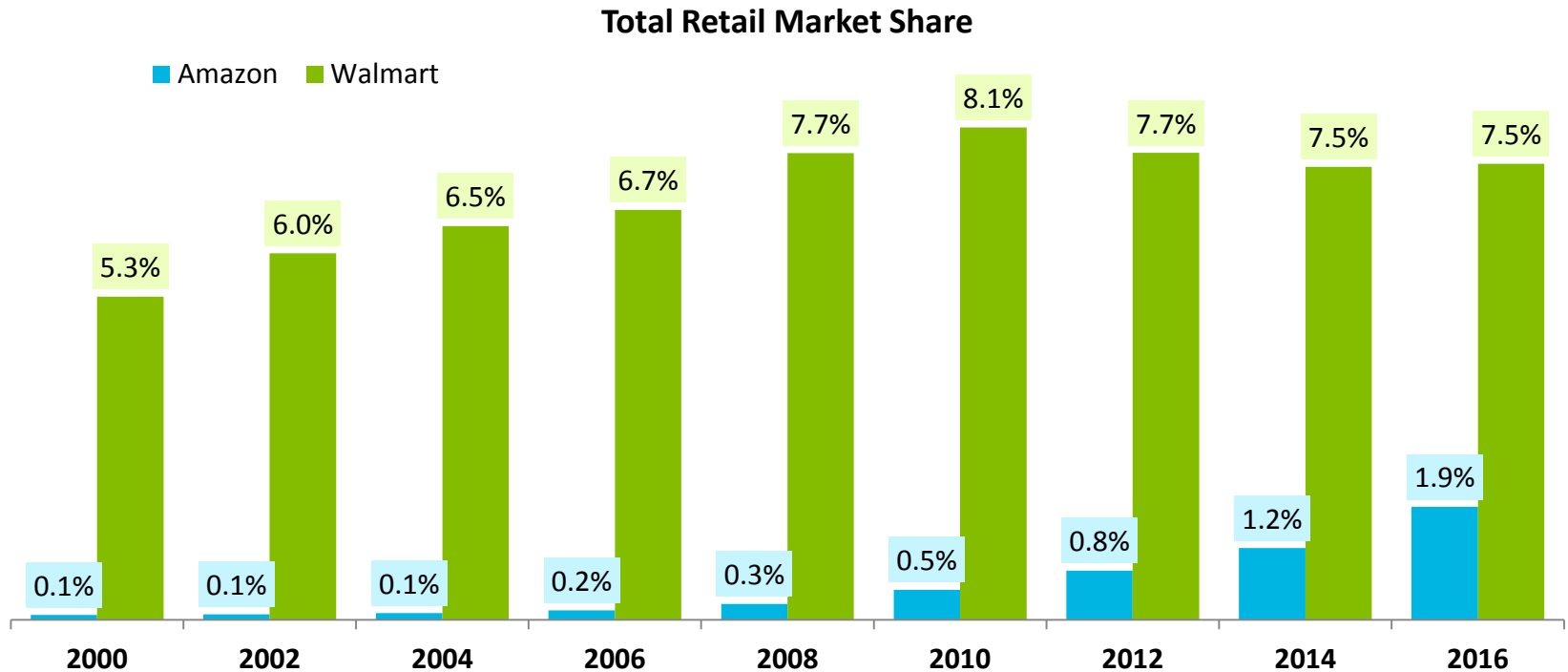
- In 2017, e-commerce sales reached 8.9% of total U.S. retail sales
- Amazon supports 4% of retail sales in 2017 / 44% of U.S. e-commerce sales.
- Total e-commerce spend per capita has “slowed” since 2010; 15% y-o-y.

E-Commerce Dollar Spend per Capita



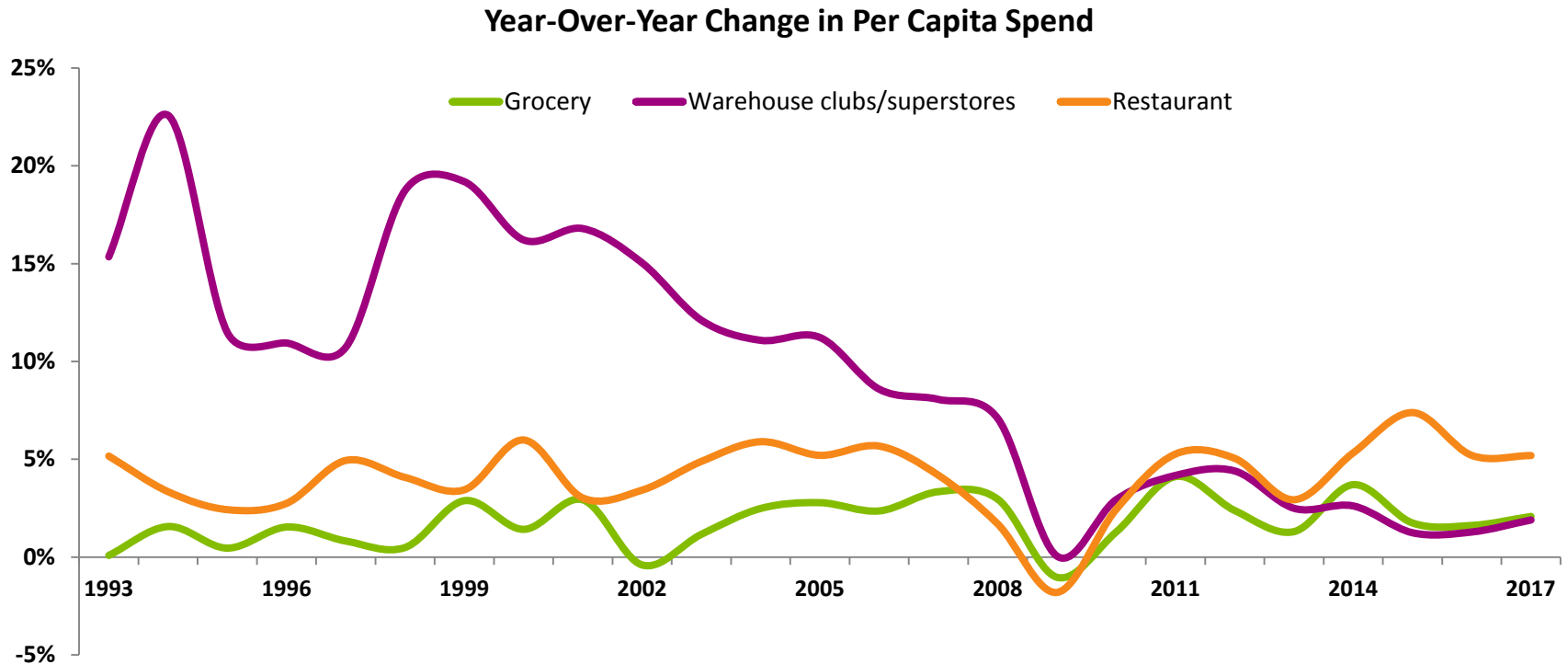
E-Commerce Trends

- Amazon grabbed 23.1% of the total e-commerce market in 2016 while Walmart represented 3.7%.
- Walmart holds a total retail market share of 7.5%. Amazon has 1.9% of the total retail market.



Food Trends

- Post-recession, restaurant spend has increased, while grocery spend has remained relatively consistent
- Warehouse clubs / superstores - significant decreases in sales since 2008
- Amazon / Whole Foods impact remains to be seen (is Target next?)



Chicago Area Retail Sales Trends



City of Chicago High-Income Cluster

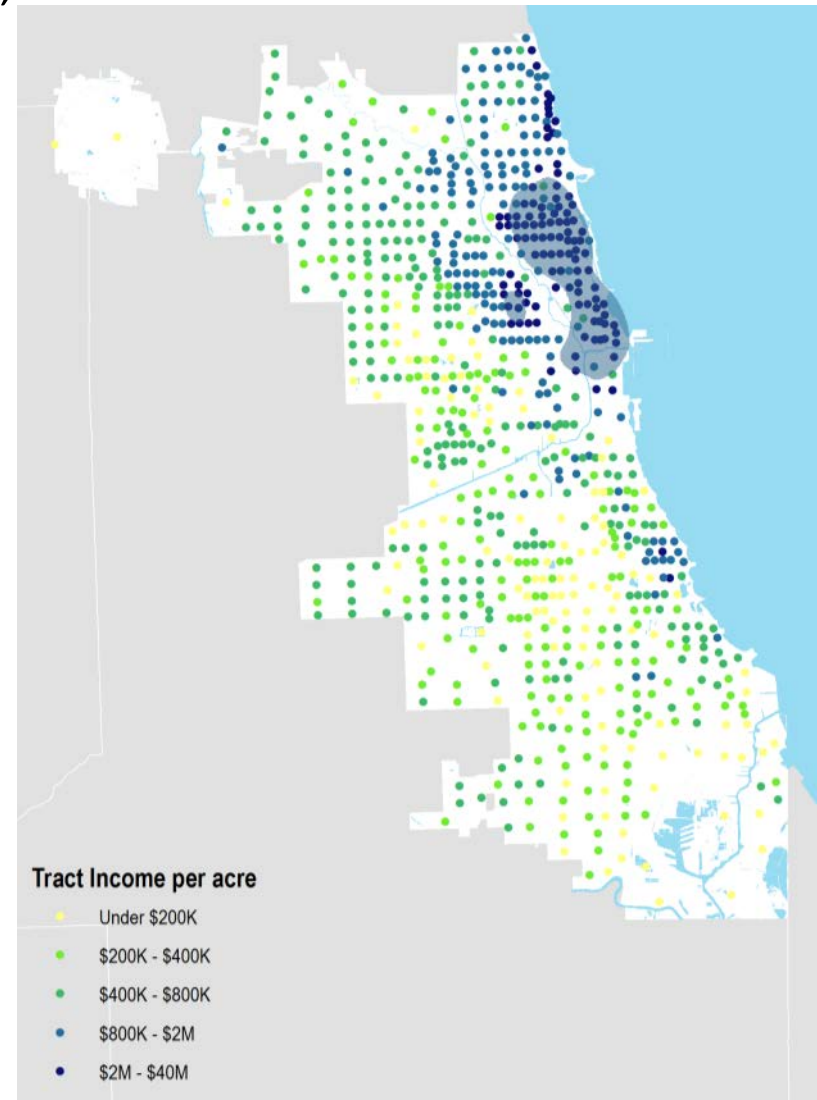
- Focus on Tract-Level Income density per acre
- Cluster comprises 25% of income in Chicago; 4% of land area

Cluster stats:

- 10 sq. miles
- 277,000 people
- \$20 billion in income
- 32 million SF retail
 - 1.3 million available (4%)
- 115 retail SF per person
- \$636 income per SF
- \$663 income per occupied SF

City stats:

- 225 sq. miles
- 2.7 million people
- \$78 billion in income
- 144 million SF retail
 - 35 million available (5%)
- 52 retail SF per person
- \$551 income per SF
- \$578 income per occupied SF



Suburban High-Income Clusters

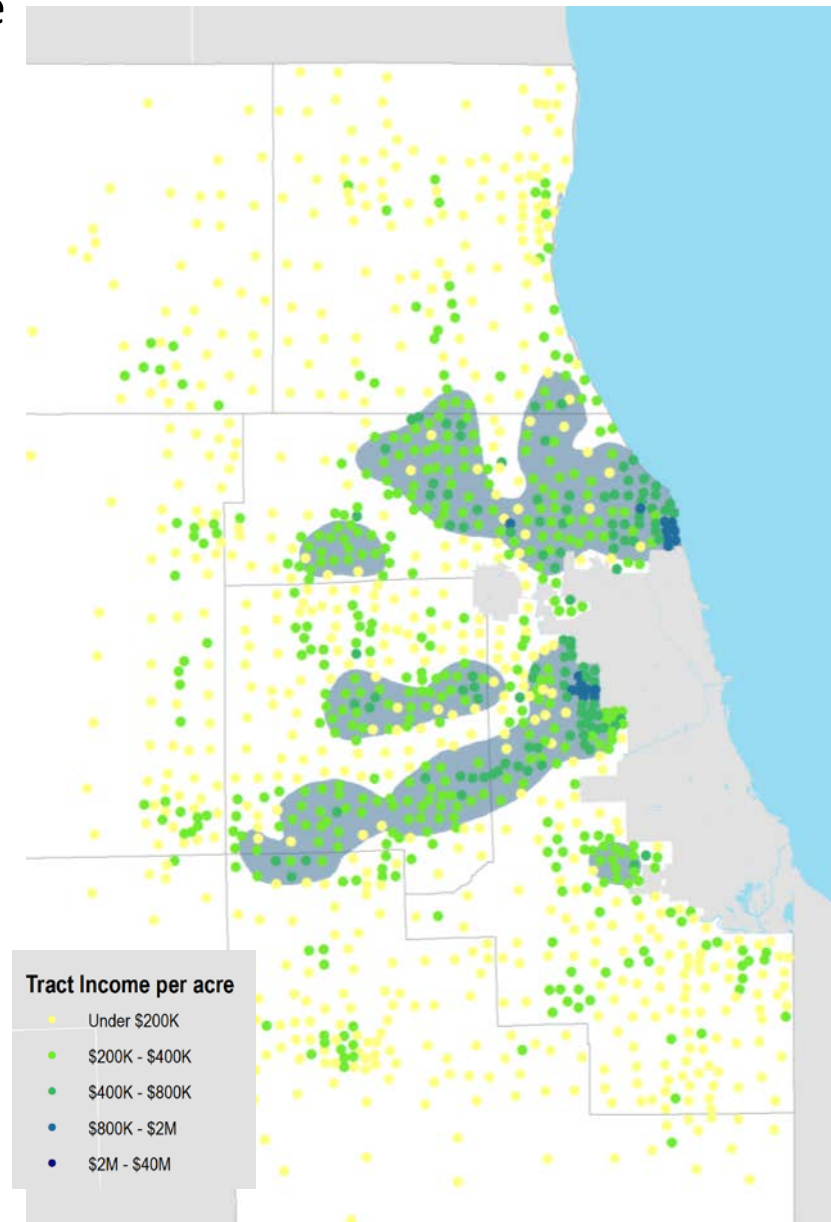
- Clusters comprise 25% of the income in the non-Chicago CMAP region; 8% of land area

Cluster stats:

- 325 sq. miles
- 1.7 million people
- \$70.6 billion in income
- 90 million SF retail
 - 9.5 million available (11%)
- 53 retail SF per person
- \$780 income per SF
- \$874 income per occupied SF

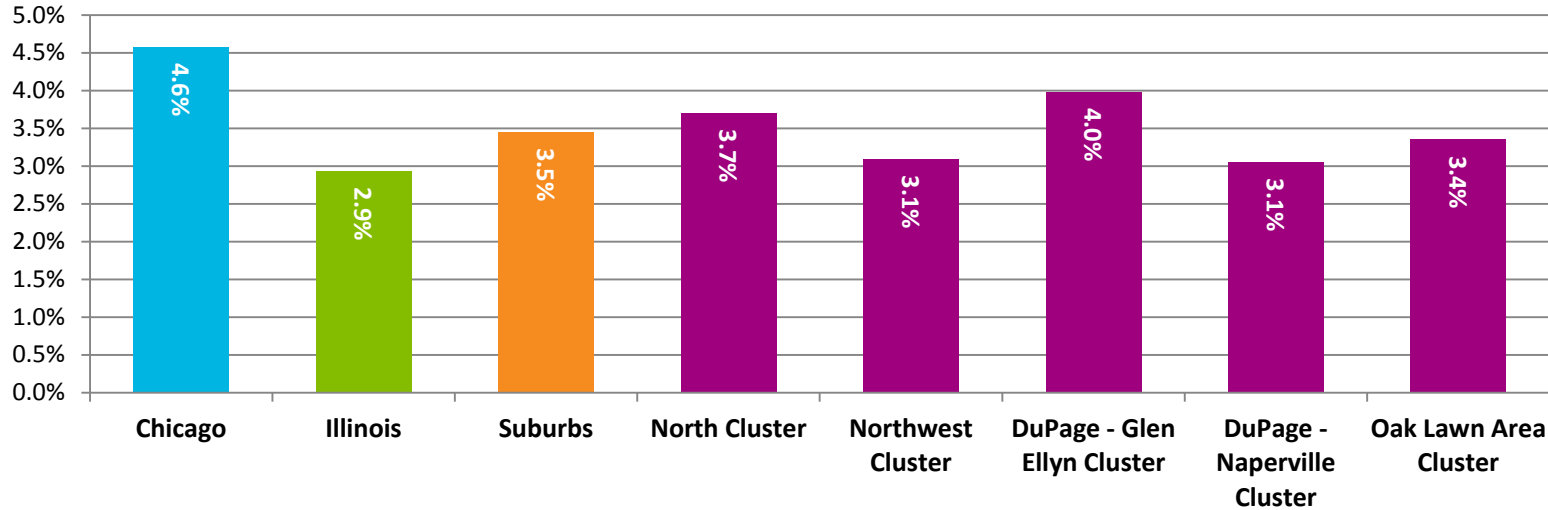
Suburban 7-county stats:

- 3,846 sq. miles
- 5.8 million people
- \$205 billion in income
- 445 million SF retail
 - 35 million available (8%)
- 76 retail SF per person
- \$461 income per SF
- \$500 income per occupied SF



Municipal Retail

Growth in Retail Sales Per Capita, 2010=2016



- Since 2010, retail sales per capita in the City of Chicago has grown at a faster rate than the Chicago suburbs and State of Illinois.
- The DuPage / Glen Ellyn Cluster – including Elmhurst, Lombard and Wheaton – is the fastest growing suburban cluster since 2010.
- Data reflects retail sales, not collected retail taxes (i.e. local option taxes)

Chicago Area Distressed Retail



Chicago Area Retail in Decline

Estimated 7-County retail inventory in decline = 18 million sf

- Retail brands in decline are defined as retailers that have filed for bankruptcy, are at risk for bankruptcy, or have announced store closures.
- 18.7 million square feet of retail in decline in the 7-county Chicago region,
- about 3.8% of the total retail inventory in the region.
- Table 1 includes > 70% of total retail square footage in decline regionally.

Top Chicago Area Retailers in Decline by Estimated Square Footage

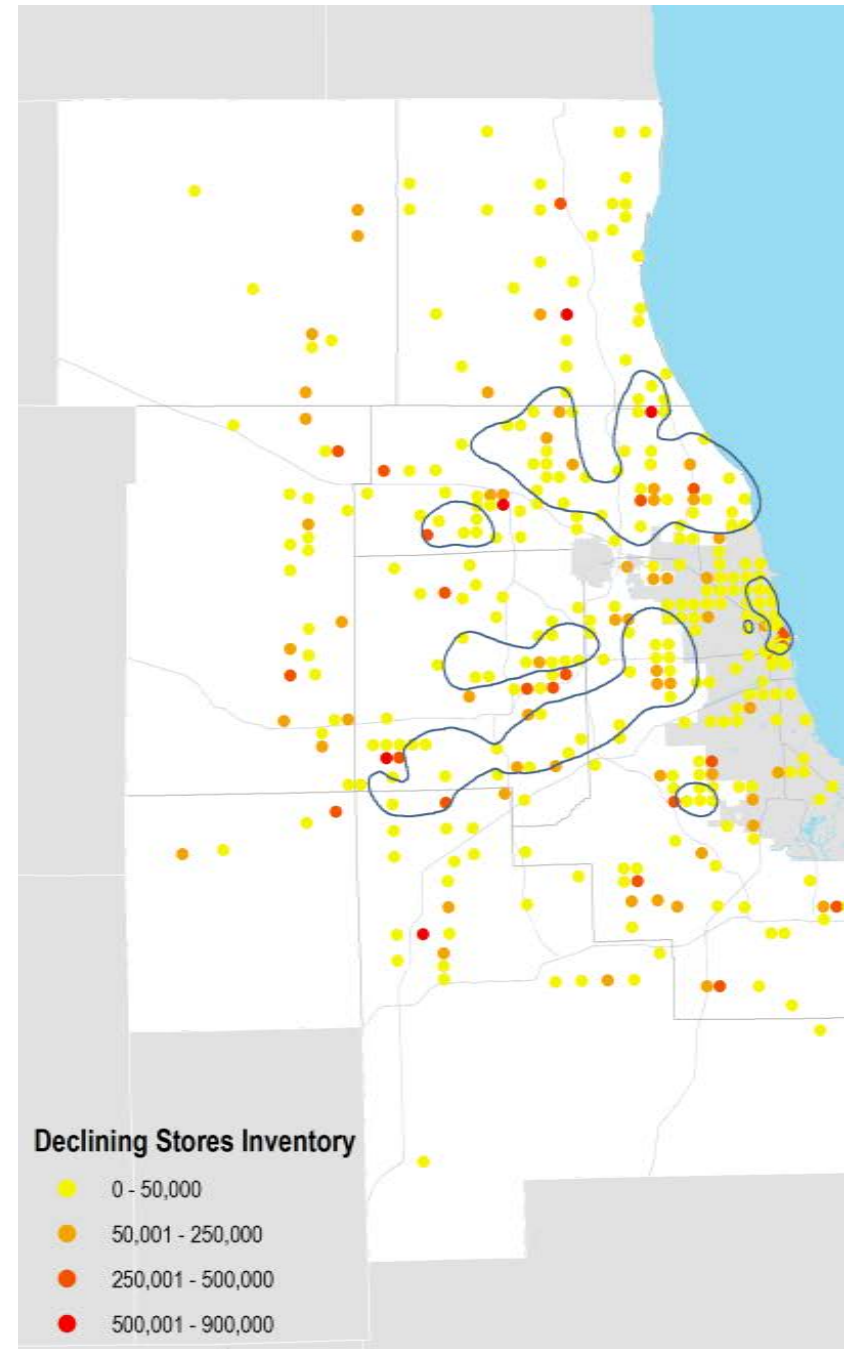
Rank	Company Name	Total SF in Decline	Decline Type
1	Carson's	2,290,076	Announced Store Closures
2	Sears	2,246,000	Announced Store Closures
3	Macy's	2,101,000	Announced Store Closures
4	Burlington	1,900,000	Risk of Bankruptcy
5	JC Penney	1,631,589	Announced Store Closures
6	Sam's Club	804,000	Announced Store Closures
7	Kmart	665,000	Announced Store Closures
8	Toys R Us	628,900	Filed for Bankruptcy
9	Lord & Taylor	551,840	Risk of Bankruptcy
10	Savers	525,000	Risk of Bankruptcy

Chicago 7-County Metrics

Total Retail Inventory (SF)	489,150,421
Retail Inventory in Decline (SF)	18,658,302
% of Retail Inventory In Decline	3.8%
Total Population	8,604,974
Retail Inventory per Capita (SF)	57
Retail Inventory in Decline per Capita (SF)	2
Annual Retail Gross Absorption (SF)	18,854,250
Annual Retail Inventory Growth (SF)	2,514,194

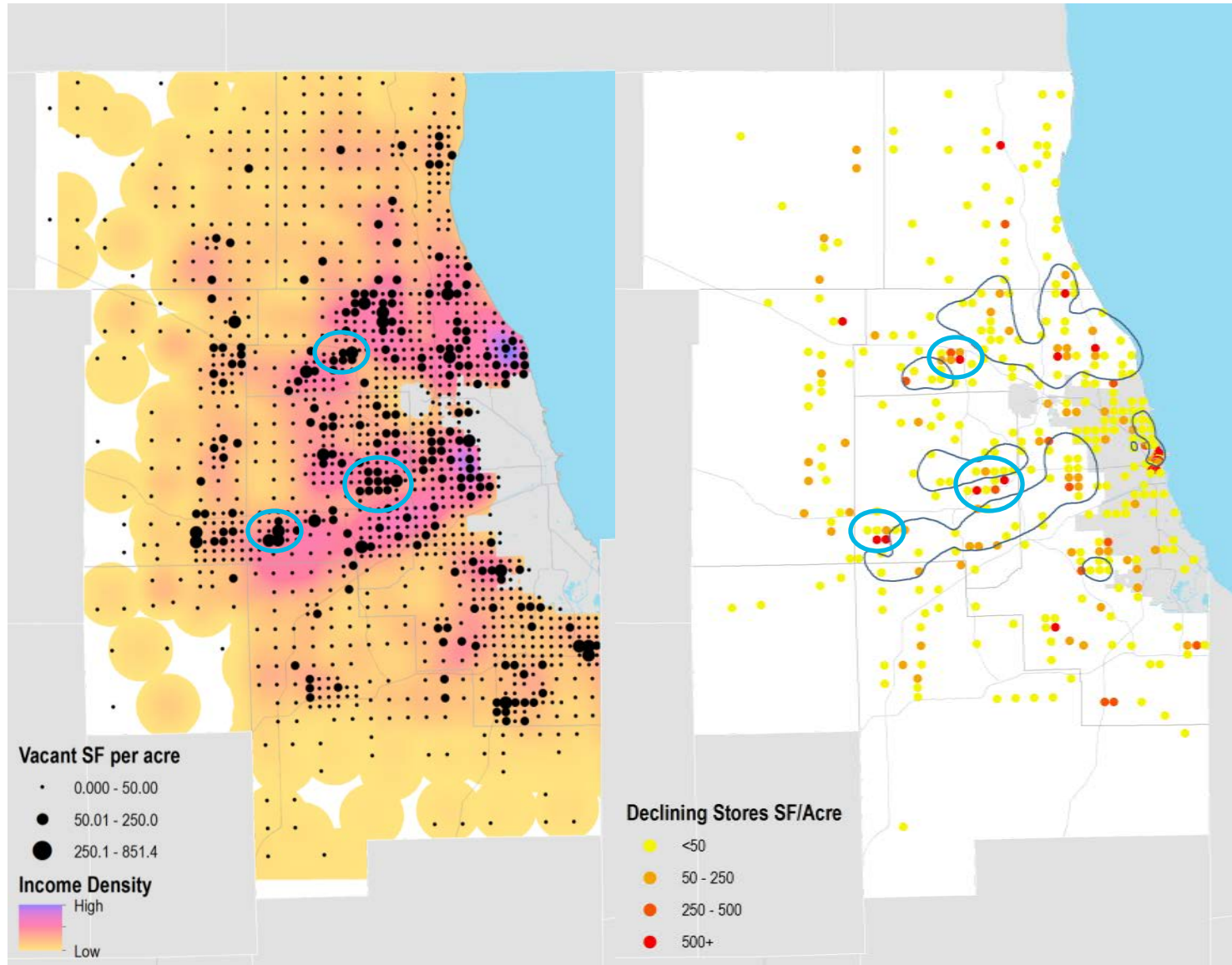
“Store in Decline” Inventory


- 1,400 store locations belonging to “troubled” retail chains comprise 20 million SF inventory
 - 2.5 million SF (13%) in City of Chicago
 - 17.6 million SF (87%) outside
- 45% of Chicago’s “troubled” store inventory is in the high-income cluster (1.1 million SF)
- 26% of the suburbs are in high-income clusters (4.5 million SF)
- Implication = 13.2 million sf of potentially excess space, in a market with 76 sf per person.



“Troubled” Store Inventory and Total Vacancy Density

Blue circles highlight clustering of vacancy and troubled store inventory just outside high-income clusters



An aerial photograph of an industrial park in Downers Grove, Illinois. The image shows a large complex of multi-story industrial buildings with flat roofs, interspersed with parking lots and paved roads. A major road, 75th Street, runs horizontally across the middle of the image, intersecting with Lemont Road, which runs vertically on the right side. The surrounding area includes residential neighborhoods with houses and trees, and some green spaces. The overall scene is a typical industrial development in a suburban setting.

Downers Grove – 75th St and Lemont Road

- 1.49 million square feet
- 9% vacant / 15% available
- Avg. Rent \$16/SF NNN
- Lots of parking

Implications

- Chicago: Still leaking, but dramatic improvement in retail sales per capita
- Suburbs – too much retail space
- Higher income areas in Chicago are seeing slightly better retail occupancy compared to suburbs
 - 45% of Chicago’s “troubled” store inventory is in the high-income cluster (1.1 million SF)
 - 26% of suburban “troubled” is in high-income clusters (4.5 million SF)
- Department stores and malls in lower density areas are a primary concern
- Expectation for malls; pivot to mixed use & health care
- Fiscal impact on retail-reliant municipalities with constrained local option sales tax

